FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Eritrea: counter attack starts

Heavy fighting has broken out around the Eritrean capital, Asmara, with the start of the *counter-offensive* by Cuban-backed Ethiopian troops.

The main guerrilla group, the Eritrean Liberation Front Revolutionary Council, *said* Ethiopian troops backed by tanks, artillery and aircraft were fighting guerrilla forces six miles from Asmara.

Lt. Col. Mengistu Haile Mariam, the Ethiopian leader, paid tribute to the support his country had been given by the Soviet Union, Cuba, South Yemen and East Germany. Back Page

Begin attacks fighter sales

Israeli Prime Minister Menahem Begin condemned the U.S. Senate decision in favour of selling fighter aircraft to the Arabs and said that it "violated promises." He said the sale would threaten national security and Israel's Cabinet would decide what steps to take at a meeting on Sunday. Middle East reaction, Page 4; Editorial comment, Page 22

Chiefs rapped

Mr. Fred Mulley, Defence Secretary, has rebuked the chiefs of staff for allowing the Press to be given "selective information" about resignations from the armed forces.

Labour MP dies

Mr. Frank Hatton, Labour MP for Manchester Moss Side, has died after a long illness. He was 56. Mr. Hatton first won the seat at a by-election in 1973. The Tories would require a swing of 6.4 per cent to regain it, a figure in line with recent by-election swings. Page 10

Hospital closure

The Elizabeth Garrett Anderson hospital, in London, one of only two in the UK run by women for women, is to close on July 21, Mr. David Ennals, Social Services Secretary, said. The four-year campaign to keep it open now hinges on Mr. Ennals's offer to transfer it to the confines of the Whittington Hospital.

Rhodesia killing

Military headquarters in Salisbury said 50 African civilians had been killed and 24 wounded in a battle between Rhodesian security forces and black nationalist guerrillas. Constitution talks, Page 4

Amoco inquiry

An architect with Amoco's marine transportation department told the London inquiry into the Amoco Cadiz disaster that modifications to the steering gear aboard supertankers could be worth investigating. Page 6

'Save it' award

Two sixth-form girls at the City of London girls' school are to receive a special tribute after persuading teachers and pupils to make energy cuts which saved the school £25,000 in electricity bills. They will receive a silver salver from Lady Vanneck, the Lady Mayoress.

Briefly . . .

A World Health Organisation report says that some 40m people suffer from severe mental disorders.

Dog licences should cost "substantially more" to cut the number of stray and unwanted dogs, the Church of Scotland said.

Non-travelling members of the public are to be allowed into Aldergrove Airport, Belfast, for the first time in five years.

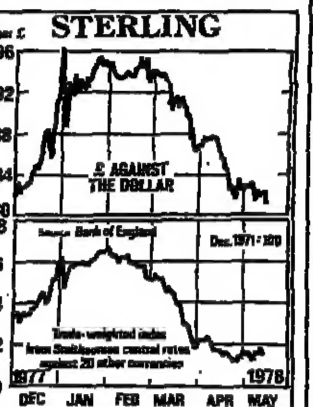
Mr. Peter Shore, Environment Secretary, has approved the new Carsington reservoir, near Wirksworth, Derbyshire.

England beat Northern Ireland 1—0 in the Home International soccer match at Wembley last night.

BUSINESS

£ falls a cent; equities drift

● **STERLING** closed at its worst level since last November, losing 1.07c to $1.8100 on *selling in New York*. The



pound's trade-weighted index fell to 61.6 (61.8), while the dollar's depreciation narrowed to 4.85 per cent (5.08).

● **EQUITIES** drifted lower and the FT ordinary index closed 3.4 down at 481.6.

● **GILTS** slipped back with falls of ½ in longs and $\frac{1}{16}$ in shorts. The Government Securities index fell 0.33 to 71.14.

● **GOLD** was unchanged at $175¾ in London.

● **WALL STREET** closed 7.54 up at 854.30, with 48.18m shares traded, the fourth largest volume recorded. Analysts attributed the rise to good economic news coupled with firmness of the dollar in foreign markets.

● **COUNCIL FOR THE SECURITIES INDUSTRY**, the City's new voluntary supervisory body, meets for the first time to-day. Back Page

● **MR. CALLAGHAN** has urged industrialists to review their purchasing policies and not to give so much custom to overseas suppliers. Back Page

● **INDUSTRIAL PRODUCTION** in the first three months of 1978 was 1.7 per cent. higher than the previous quarter, Central Statistical Office figures show. Industrial activity now seems to have recovered fro mthe depressed levels of last year, though improvement is slow. Back Page. In the U.S., too, the index of industrial production has risen for the second month running. Page 4

● **CONSERVATIVE** government would not allow BNOC to act as both regulator yugency and operating company, Sir Geoffrey Howe told the Financial Times North Sea conference. Back and Page 6

● **NATURAL GAS** supplies are *expected to rise by 50 per cent over the next few years as* deliveries from the Frigg and *Brent fields boost production.*

● **U.S.** has released $200m. if its *share of the $750m. mediumterm* loan pledged last year to Portugal by 14 Western industrial *nations to finance its balance of* payments deficit. Page 2

● **BSC** is having difficulty in winning new export orders in the U.S. because of a number of anti-dumping suits pending, a Foreign Office official has said. Page 5

● **BOEING** has started negotiations with other U.S. aerospace companies on collaboration in a new short-range jet airliner as the original exclusive offer to British Aerospace to undertake up to 40 per cent. of the work on the airframe has not been taken up by the May 15 deadline. Back Page

COMPANIES

● ***CHAD VALLEY***, one of the largest soft toy companies in Britain, has been bought by General Mills U.K. for more than £1m. cash. Back Page

● **TRAFALGAR** House pre-tax profit for the half-year to March 31 rose to £29.49m (£21.01m) aided by a £15.77m rise in property profits. Turnover was £140m. up at £390m. Page 25 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

AB Electronic	106	+ 6
Avon Rubber	216	+ 4
Brown (J.)	341	+ 9
Cape Inds.	123	+ 6
Crosby House	135	+ 5
Grimshawe Hldgs.	20	+ 3
Heath (C. E.)	275	+ 10
Hickson and Welch	208	+ 10
Kitchen (R.) Taylor	80	+ 5
London United	175	+ 7
Pearson (S.)	217	+ 7
Phoenix Timber	173	+ 7
Reed Austin A	91	+ 5
Sharna Ware	98	+ 6
BP	878	+ 10
Ultramar	288	+ 8
Geduld Tin	57	+ 5
Bll South	88	+ 4
Doornfontein	302	+ 16
Lydenburg	65	+ 3
Western Deep	786	+ 20
Yukon Cons.	167	+ 13

FALLS

Treas. 11½pc 1981	£101¾	− $\frac{7}{16}$
Treas. 8¾pc 1997	£76¾	− ⅜
Assed. P. Cement	252	− 7
Bunzl Pulp	94	− 4
Coats Patons	76	− 7
Concentric	39	− 4
Dunbee-Combex-Marx	130	− 6
Furness Withy	272	− 5
General Accident	218	− 4
Hestair	97	− 4
Linfood	128	− 6
Ocean Transport	123	− 5½
Racal Elect.	232	− 6
Seccombe Marshall	220	− 10
Trafalgar House	133	− 5
Unilever	512	− 10
Shell Transport	584	− 12
Pancontinental	£11¼	− ¾

Government drops plans for enforced metrication switch

BY RICHARD EVANS, LOBBY EDITOR

The Government has been forced to withdraw all metrication plans that involve an element of compulsion because of its inability to get a majority for them in the Commons.

Instead Mr. Roy Hattersley, Secretary for Prices and Consumer Protection, will proceed with voluntary metrication by introducing Parliamentary Orders that do not impose statutory cut-off dates for use of Imperial units.

The climb-down follows persistent opposition to any element of compulsion by the Conservative Party and the Liberals, and by a group of Labour anti-Marketeers opposed to all forms of metrication in principle.

The hope remains that the use of metric units at the retail level will be achieved on a voluntary basis, with broadly the same target dates as envisaged now, from this year to 1981. But privately Ministers are not confident that this will happen.

Previously Ministers had insisted that metrication must be introduced with an element of compulsion, or, they said, there would be chaos and confusion.

The cancelled Orders, which imposed statutory cut-off dates, included ones covering hardware, textiles and floor coverings (cut off by February 1979), meat and fish (June 1981), other foodstuffs (September 1981) and fruit and vegetables (December 1981).

The Orders would have involved a £50 fine for retailers who continued to sell in Imperial units after the specified dates.

In a Commons written answer last night Mr. Hattersley said the Government intended, *in consultation with industry*, to promote Orders which maintained progress towards metrication of prescribed quantity pre-packed goods.

An amended version of the Weights and Measures Act 1963 (Various Goods, Termination of Imperial Quantities) Order 1978 would be made without inclusion of penalties on retailers.

CBI role

In an attempt to out-manoeuvre Parliamentary opposition by seeking public support for mandatory action the Government sent a letter last month to over 100 retailing and consumer organisations asking for their opinion.

Several of these, including the CBI, the Food Manufacturers' Federation and the Retail Consortium, immediately declared their support for the metrication programme, complete with statutory cut-off dates.

The CBI said at the time: "To prolong the period of working in both systems would impose upon the economy a totally unnecessary burden of extra cost and confusion."

Despite this reaction, there is still far too strong a body of opinion in the Commons that would oppose any element of *compulsion*. Ministers realised they would not get the necessary Orders through.

Mr. Hattersley announced that he proposed to establish a metrication monitoring unit to deal with any complaints and act as additional protection for the consumer.

It would be a small unit whose chief functions would be to channel complaints and views to the appropriate body and be a focal point for co-ordination.

The Government will assist in providing information for the consumer to try to ensure that the voluntary change goes satisfactorily.

Mr. Joseph Godber, chairman of the Retail Consortium, said last night: "Retailers will be dismayed by this turnabout by the Government. While they have never wanted metrication, which will be very costly for retailers to implement at the request of successive Governments they have co-operated with metrication schemes.

"The cancellation of these Orders will create the worst of all possible worlds—uncertainty and muddle among both shopkeepers and their customers.

"Retailers cannot be expected to force metrication down the throats of reluctant customers, and the result will be a standstill in the metrication programme."

Yorkshire coal strike over bonus called off

BY CHRISTIAN TYLER, LABOUR EDITOR

THE UNOFFICIAL strike involving 32,000 Yorkshire miners at 26 pits over a claim by 36 rescue workers was called off last night after a 3½-hour meeting of the National Union of Mineworkers' area council in Barnsley.

But Mr. Arthur Scargill, the Yorkshire area president, warned after the meeting that if the matter was not resolved by June 1, they would take strike action.

He said: "I hope common sense will prevail and a settlement is reached, otherwise this dispute will rage like wildfire throughout the coalfields with our official backing."

The unofficial action had by *yesterday shut more than a third* of the pits in Yorkshire, Britain's biggest coalfield.

The strike by 36 mine rescue men in Yorkshire, which accounts for 30 per cent of national output, caused 32,000 *men to stop work either in sympathy or for fear of going down* the pit without emergency cover.

The National Coal Board yesterday offered immediate negotiations to devise a national *formula for local bargaining on* the rescue men's claim for a *higher percentage of the face-workers'* bonus.

But aftr a meeting with Sir Derek Ezra, Coal Board chairman, leaders of the National Union of Mineworkers decided to push the problem back to the areas.

Some claimed that the strike had been tacitly encouraged by Mr. Scargill and his militant colleagues who have fought hard and long against incentive payments. They argued that Mr. Scargill should be left to get the men back.

Meanwhile there was a strong suspicion last night that the Coal Board would tell its area officials to stand firm against any special deal for the rescue men, who number only 116 *across the country, for fear that* would start a bandwagon *of* sectional claims. Winding enginemen in South Yorkshire recently struck because of a similar grievance.

The rescue men are demanding 50 per cent of the faceworkers' bonus, as paid to underground workers away from the face, even when they are not working underground.

At present they are paid 40 per cent, when on the surface and higher rates only for the time they spend underground. Their basic pay is the same as the face-workers' under the National Power Loading Agreement. Union leaders were told by the Board yesterday that in Yorkshire each rescue man had earned an average £83 a week over a three-month period as well as having a free house and free coal.

The Board appealed for a resumption of work to allow both national talks and conclusion of a prearranged working party *report on the rescue men's conditions.*

LWT bids £4m for Hutchinson

FINANCIAL TIMES REPORTER

THE PARENT company of London Weekend Television, LWT (Holdings), yesterday announced a £3.9m cash bid for Hutchinson, an old-established publishing company.

This move follows the lead of ATV, Granada and the HTV group in broadening their interests outside television.

The terms of the offer are 350p for every ordinary £1 share and 85p for every 7 per cent cumulative preference share of £1 in Hutchinson.

Yesterday, LWT shares fell 3p to 129p while Hutchinson's preference shares rose 15p to 80p.

The takeover is guaranteed to succeed. Hutchinson's directors, holding 53.5 per cent of its 1m £1 ord shares, have irrevocably undertaken to accept the offer.

A similar guarantee has also been given by holders of a further 413,625 ordinary shares including Hutchinson's advisers merchant bankers Samuel Montagu, which holds 195,000 shares.

With liquid funds put at around £10m at January 22, 1978 LWT has for some time been looking for ways to spend its cash compatible with its main business as a television contractor.

The proposed acquisition, which has the blessing of the Independent Broadcasting Authority, will help insulate the LWT group from the effects of any future adverse fluctuations in advertising revenue.

Mr. John Freeman, LWT's chairman, who is expected to become chairman of Hutchinson, said the proposed acquisition "marks a significant step towards the long-term security and stability of LWT."

Buoyed by an advertising rate increase of 19 per cent. last September, LWT lifted pre-tax profits from £2.53m to £3.48m for the half-year to January 22, 1978.

As the acquisition is unlikely to be completed until early July, Hutchinson's contribution in the current year will be minimal. Last year Hutchinson, which engages in a wide range of publising — including authors Frederick Forsyth, Denis Wheatley and Barbara Cartland and the world famous Geographia maps — made pretax profits of £690,000 on turnover of £9.79m, compared with £610,000 in 1976.

OPEC likely to cut oil output soon

BY RAY DAFTER, ENERGY CORRESPONDENT

THE WORLD'S major oil exporters are expected to make substantial cuts in the production, to bring more stability to the crude oil market and pave the way for a new round of price *increases.*

The move follows a continuing drop in world oil demand and growing competition for traditional exporters from new producing areas like the North Sea, Alaska and Mexico not covered by OPEC.

Several countries have been forced to trim prices to maintain their export levels. Now, it seems, they are to take the alternative course and voluntarily reduce production levels.

Sheikh Ali Khalifa Al-Sabah, Kuwait's Oil Minister, said yesterday that members of the Organisation of Petroleum Exporting Countries were reducing production levels to some 26m barrels a day.

This compares with an OPEC output of almost 29m b/d in March and an average production of nearer 31m b/d for 1977 as a whole.

Speaking in Kuwait before flying to London, Sheikh Ali said that the cut was aimed at maintaining prices and balancing supply and demand in the international oil market.

Senior oil industry officials in London said they thought the cut had been decided informally at a meeting of OPEC Ministers in Taif Saudi Arabia, earlier this month.

It is thought within the industry, for example, that Saudi Arabia—the world's major exporter—could limit its exports to about 7m. barrels a day.

According to Petroleum Intelligence Weekly, Saudi Arabia's oil production in March averaged 7.7m b/d, almost 22 per cent down on 12 months before and some 1.3m b/d below the average production level in the fourth quarter of last year.

Saudi Arabia has taken the brunt of the recession in world oil demand, now at its lowest point in two years.

But all the other OPEC members have also been forced to cut exports and, in some cases, to offer discounts in a bid to maintain demand for their crudes.

Again within the industry it is expected that the OPEC members —other than Saudi Arabia—will reduce output by a further 1m b/d to bring supply and demand more into balance.

If OPEC can maintain this stability and is not hit by a further weakening in oil demand, it may be able to implement its desired price increase within the next 12 months.

President Carlos Andres Perez of Venezuela said yesterday in Caracas that the present freeze on OPEC prices, which had lasted in effect since mid-1977, would not extend beyond 1978.

If OPEC Ministers did not take action at their meeting next month, a price rise would be imposed by the end of December.

Restraint

It is understood that Saudi Arabia, which has largely been responsible for oil price restraint over recent years, is willing to consider a nominal increase at next month's conference.

The kingdom recognises that several members—particularly Iraq, Libya and Algeria—feel bitterly aggrieved by the erosion of their purchasing power from petroleum revenue because of the dollar's depreciation.

There were signs after the Taif meeting that Saudi Arabia did not want to jeopardise the spirit of co-operation within OPEC that had been largely restored at the conference.

What did emerge publicly from that meeting was the formation of a six-member ministerial committee to plan OPEC strategy for the 1980s.

● President José Lopez Portillo of Mexico is this week visiting the Soviet Union and Bulgaria as part of a drive to find export markets for Mexico's increasing crude oil production.

Tories lose tax vote

BY OUR LOBBY EDITOR

The Government comfortably fought off an attempt to index the capital gains tax in the Commons last night when minority parties failed to back the Conservatives.

The Tory amendment to the Finance Bill which proposed a complex formula for linking capital gains with the retail price index, was rejected by 278 votes to 223, a Government majority of 55.

The Government strongly opposed the amendment partly on cost grounds and partly because of its complexity.

The Liberals, Scottish Nationalists and United Ulster Unionists joined the Government to ensure an easy win.

The Finance Bill goes into standing committee to-day but there are no signs that a combination of Opposition parties will inflict further substantial damage to the Chancellor's Budget calculations.

Parliament, Page 10

Shutdown threat by The Observer

By Pauline Clark, Labour Staff

THE OBSERVER has told leaders of Britain's second biggest print union that they must guarantee uninterrupted production or the Sunday newspaper will be shut down.

The warning, the toughest yet by management of a national newspaper in the present Fleet Street labour crisis, is to be relayed to an urgent meeting of London officials of the National Graphical Association today where the paper's demand will be discussed.

National leaders of the NGA have already threatened to take disciplinary action against 25 machine-minders whose unofficial strike last week-end prevented publication. Such action will also be considered by local officials.

The Observer's tough stance against unofficial industrial action by its print workers follows a similar warning by Times Newspapers earlier this month when it threatened to suspend publication of The Times and Sunday Times if a solution were not found to its industrial relations problems by next November.

It also follows a series of national newspaper disputes over the past months including one involving London wholesalers. In March Sir Richard Marsh, chairman of hte Newspaper Publishers' Association, declared that Fleet Street was in a state of "near-total anarchy," and at the end of April 300 newsagents protested in a London street demonstration about the irregular supply of copies.

A Commons debate on Fleet Street is fixed for tomorrow. More than 60m national newspaper copies have been lost since the beginning of the year. A six-month loss from October last year to March of 100m copies was reported recently by the Audit Bureau of Circulation as a record.

The leading print unions, including the NGA, have said they are ready to co-operate in solving the problems, especially those at Times Newspapers, though they place equal responsibility on managements.

Mr. Les Dixon, president of the NGA, said earlier this week that managements had too often agreed to one-off deals which were not in the long-term interests of their papers.

After a five-hour meeting with Observer management at a Scarborough union conference hotel late on Monday night Mr. Joe Wade, general secretary of the NGA, said he had declined to give an assurance that the 25 strikers, who are casual workers, will not be required to work on the Observer again.

But the union's leaders will meet management again tonight after talks with local officials.

CONTENTS OF TO-DAY'S ISSUE

FEATURES

For latest Share Index 'phone 01-246 8026

Retail sales continue to rise

BY DAVID FREUD

RETAIL SALES

		Volume 1971=100 (seasonally adjusted)	Value percentage change compared with a earlier season adjus[ted]
1977	1st	103.3	+
	2nd	102.5	+
	3rd	104.3	+
	4th	104.4	+
1978	1st	106.3	+
1978	Jan.	104.9	
	Feb.	106.8	
	Mar.	107.0	
	April	106.5*	

* provisional estimate
Source: Department

RETAIL SALES conti[nued to] move firmly upwards thr[ough the] early months of this yea[r ...] ing the additional [...] power of consumers.

The index of sales b[...] for April was 106.5 (195[...]. The seasonally adjusted). [...] to provisional Depar[tment of] Trade estimates.

In the three mont[hs to the] end of April sales [were] 1.5 per cent up on the [...] January period and [...] 4 per cent up on Fe[b...] last year.

The April index [...] down from the [...] figure. However, [...] cance can be atta[ched ...] because the provisi[onal figures] are based on only [...] final volume data.

The average er[ror in] early estimates has [been] at about 0.75 per c[ent ...] he March figur[e ...] revised a f[...] [...]ek.

0m of loan by U.S.

LISBON, May 16.

Since taking office in January, the governmental alliance of Socialists and Christian Democrats begun implementing most of the major conditions thought to have been demanded by the IMF.

The 1978 budget, presented on March 15 and approved a month later, aims to reduce sharply public and private spending through increased direct and indirect taxation. Furthermore, the Government last month bridged a major difference with the Communist-dominated trade union movement and agreed a wages policy which sets a ceiling of 20 per cent on pay increases.

The administration of Prime Minister Mario Soares has reached what officials here call "a negotiated compromise" with an IMF delegation led by Mr. Hans Schmidt, after more than a month of tough negotiations.

The escudo was recently devalued by 6.5 per cent, against a basket of the world's 14 principal currencies and the Bank of Portugal has announced that its discount rate would be increased by 13-18 per cent.

Although the Government has not yet revealed the full details of the IMF agreement, a draft copy of Portugal's letter of intent which pledged tight restrictions on the expansion of internal credit and loans to the public sector over the next 12 months, is known to have been signed here on May 9. The letter, which includes a commitment to reduce the balance of payments deficit to $1bn. by the end of next March, has been sent to Washington.

Remaining credit lines, including a further $100m. from the United States, will be released once the letter is formally approved at a meeting of the IMF executive council on June 5.

[...]dy [...]ows [...] by [...]hat [...]ful- [...] offi- [...] in [...] [...]-day [...]epay- [...]hree- [...] 8.15 [...]te. [...] loan [...]e fol- [...] it was [...] steps [...]tugal's [...]untry's [...] be im- [...]at init- [...]help in [...]ributors [...]rmany— [...]ntribute [...] which [...]m. The [...]sted that [...] was de- [...] meeting [...] $50m. [...]he begin- [...]rtugal has [...]t from the [...] This in- [...] Switzer- [...] Venezuela: [...]n.

WEST GERMANY'S VIEW OF THE EEC'S FUTURE

Moving together—but at different speeds

BY JONATHAN CARR IN BONN

DURING THE second half of this year, when West Germany takes its turn as chairman of the EEC Council of Ministers, the idea of a "two-tier" Community is likely to re-appear from the limbo into which it has fallen. Conceived by the Social Democrat Party leader, Herr Willy Brandt, in 1974 and later presented in modified form by the Belgian Prime Minister, Mr. Leo Tindemans, the idea has since dropped out of sight. But it has never vanished from people's minds in Bonn.

Herr Brandt caused a big stir with his proposal when he first presented it in a speech in Paris. His idea was widely taken to be that the economically strong members of the community should forge ahead with integration while the weak (then considered to be Britain, Ireland and Italy) would be left behind. Herr Brandt was shocked by what he felt to be a misinterpretation. He insisted that there was no question of "uncoupling" weaker member states from the process of integration, merely of making a "sensible differentiation" between weak and strong so that the former could be helped more effectively.

This same point was stressed by Mr. Tindemans in January, 1976, when he presented his report on European union to other EEC leaders. He noted that it was simply a fact of life that there were economic leaders and laggards in Europe, that any realistic policy would have to take account of it, but that the last thing he intended was to split the Community in two. This assurance did not stop either the "laggards"—or the EEC Commission—from having serious doubts about the scheme. It thus vanished from view—along with many of Mr. Tindemans' other proposals.

In Bonn, however, it did not disappear. Indeed, it was often privately described as the only way to save the Community from stagnation if not disintegration. Now the State Secretary for Monetary Affairs at the Finance Ministry, Herr Manfred Lahnstein, has raised the idea publicly again—specifically in the context of the enlargement of the Community.

In an article in Europa Archiv, the journal of the German Society for Foreign Affairs, Herr Lahnstein says he sees scope for progress in the economic, monetary and currency spheres in Europe—progress he feels is not only possible but necessary. He warns against expecting miracles but says that every possibility for further integration must be seized—even if all member States are unable to take the same steps simultaneously.

This approach would also help solve many of the problems of enlargement, Herr Lahnstein says, where an effort to link new members in too soon with the integration efforts of existing members would merely end by weakening both groups.

Dr. Manfred Lahnstein: integration necessary.

Similar thoughts are expressed at the Economics Ministry—and go rather further than the proposals for "transitional periods" for new members accepted by all. It is asked, for example, whether the Community could maintain its strict rules on competition, enforced by the European Court of Justice, in an enlarged Community with still more marked disparities of economic development than the present ones. The *de facto* creation of two sets of rules might appear to undermine even so flexible an organisation as the Community has proved itself to be—but there might be no immediate alternative.

In any case, *de facto* "two-tier" integration already partly exists. West Germany, the Benelux countries and Denmark are all part of the currency "snake"—along with Norway which is not an EEC member at all. If Chancellor Helmut Schmidt's ideas outlined to his colleagues in Copenhagen last month are eventually to be implemented, then a "multi-tier" system would seem bound to emerge. The present snake members would continue to practise their stringent discipline to prevent all but the narrowest currency fluctuation, countries with at present less stable economies like France and perhaps Britain would allow wider fluctuations—and Italy would almost certainly be outside the arrangement altogether. To complicate matters further the Austrians and Swiss—not EEC members—might also be linked in some way to the scheme.

It will be surprising if some countries do not ask with concern where all this is leading—as they did following the statements of Herr Brandt and Mr. Tindemans. Might the upshot not actually be a widening of the gap between the strongest and weakest economies of Western Europe—in particular between the richer north and the poorer south.

In truth, resurrection of the "two tier" idea only appears to make sense if the problem of transfer of resources is tackled at the same time. Those condemned to the bottom tier must at least have a reasonable prospect of sufficient help from their partners to haul themselves up.

This would imply action on a series of fronts, including a further boost to the Community's short- and medium-term assistance schemes, a yet greater role for the European Investment Bank and, not least, a much bigger Community regional fund. Are the Germans—who would be the biggest (though far from the only) net payers—ready to consider this?

For a long time the question would have raised ribald laughter in Bonn. But this year things have proved markedly different. When a German chancellor at last indicates that he may be willing to see at least part of the Bundesbank's reserves pooled in a new European monetary scheme—then it is time to sit up and take notice, albeit warily.

The Germans would not, of course, contribute for nothing. A larger regional fund contribution would surely presuppose steps which, in the German view, would make the impact of the fund's resources more effective. More important, Bonn would be unlikely to go ahead in the face of a further protectionist measure from member states, which the Germans interpret as undermining a basic principle of the Community and as a threat to their livelihood.

That said, it is worth noting that there are already plans afoot to earmark funds in the Federal budget specifically for aid to Southern Europe. The sums suggested are not substantial—but they indicate a trend. The second half of this year should indicate the strength of the trend—and how far the consequences of the "two tier" approach have been accepted.

Peaceful use of naval forces examined

HELSINKI, May 16.

NAVAL CHIEFS from 16 North Atlantic, North Sea, and Baltic States, including the U.S. and the Soviet Union, are meeting here unofficially to discuss the peaceful use of their forces. It is their second symposium on how the navy can help the community in times of peace. The first took place in Stockholm three years ago, with the same countries participating.

Rescue and anti-pollution operations are expected to be important themes at the three-day meeting.

Admiral Jorma Haapkylae, of Finland, the symposium chairman, said: "No one is taking part as an official representative. We shall not sign agreements or issue communiques.

● European NATO powers fear that President Carter's decision to reduce the U.S. Navy's budget will ultimately impair its ability to keep open vital Atlantic sea lanes, diplomatic sources said today, in Brussels.

European Defence Ministers, meeting in Brussels tomorrow as NATO's Eurogroup, will discuss informally their fears that the cuts wil lharm America's ability to protect the movement of reinforcements to Europe in case of a war.

Athens says Ecevit has 'aggressive intentions'

Greece accused Turkey yesterday of harbouring aggressive intentions against the Greeks, our Athens correspondent reports. The accusation is seen asa development in the war of nerves between the two countries over the U.S embargo on arms for Turkey. Mr. George Rallis, Greek Foreign Minister, criticised Mr. Bulent Ecevit, the Turkish Prime Minister for saying in London on Monday that there was a lessening of tension between his country and the Soviet Union but a build-up of military power in Greece which was directed against Turkey. Mr. Rallis asked whether this meant that Turkey was seeking the lifting of the U.S. arms embargo not to defend itself against NATO's enemies but to solve its differences with Greece.

Mr. Ecevit yesterday urged European members of NATO to step in with military aid for his country if the U.S. maintained the arms embargo, Reuter reports from Vienna.

In Cyprus, the Greek Cypriot chief negotiator, Mr. Tassos Papadopoulos, said there wer eno prospects for an early resumption of the intercommunal talks or other contacts towards a Cyprus settlement. His side has rejected the latest Turkish proposals as totally unacceptable.

EEC-Greek talks

Deputies from the European Parliament and Greek experts are meeting to discuss the association agreement between the EEC and Athens and negotiations for Greek entry into the Community, Reuter reports from Salonica. The three-day talks are being attended by 15 representatives on each side.

Stabilising currencies

The European Common Market's monetary committee, meeting in Brussels, has begun discussions on how to achieve greater currency stability, Reuter reports from the Belgian capital. According to informed sources, no firm proposals were on the agenda. The two-day meeting is being held to prepare the ground for the EEC's Finance Council in Luxembourg on June 19.

Rome hideout found

Italian police broke into an underground hideout in Rome yesterday and said they believed it had been built by criminals to hold kidnapped hostages, Reuter reports. The police arrested a husband and wife and seized 12,000 rounds of ammunition found in the garden above the hideout which was 50 ft deep. It was ventilated from a drain. Police said there was no direct evidence that the place had been used by the Red Brigades who murdered Sig. Moro.

Justice conference

Justice Ministers from 11 Communist countries, including Vietnam, Laos and Cuba, began a three-day conference yesterday on politics and law, Reuter reports from East Berlin. Quoting the East German news agency (ADN), Reuter said Ministers from all seven Warsaw Pact nations were joined by the Mongolian Justice Minister.

Moscow visit

President Jose Lopez Portillo of Mexico arrived in Hamburg yesterday for a short unofficial stay on the way to Moscow for a State visit, Reuter reported. The President is due in Moscow today.

Foreign exchange fall

The Swiss National Bank's foreign exchange reserves fell SwFr 252.7m. to SwFr 19.405bn last week, AP-DJ reports from Zurich. The bank attributed the decline mainly to an outflow of dollars because of capital exports.

Malta teachers' protest

Conflicting claims were made today by the Malta Union of Teachers and Mr. Dom Mintoff's Government on the effects of a two-day strike by teachers which ended yesterday, Geoffrey Grima reports from Valletta. The union claimed an 80 per cent stoppage but the Government said only 50 per cent of the teachers obeyed the strike call. The dispute arose from the Government's cancellation of a two-day holiday for last weekend'[...]

Sweden's economy begins to recover

BY WILLIAM DULLFORCE STOCKHOLM, May 16.

TWO FAVOURABLE indicators and one negative suggest that the Swedish economy has started a slow recovery from last year's sharp setback, when gross national product slumped by 2.5 per cent. Industry's order books are growing and the rate of increase in consumer prices has slowed down, but unemployment, although still low by most Western European standards, is higher.

New orders for industry improved by ten per cent, in fixed prices during the first quarter, compared with the first three months of 1977, according to the Central Statistical Bureau. But the improvement started from a very low level and total order books at the end of March were still five per cent lower than a year earlier. The increase in orders was most marked on the export front, indicating that companies are now benefiting from last year's krona devaluation.

The first quarter growth in engineering orders was an unexpected 13 per cent., but this figure was boosted by a single, major electrical engineering contract. In fixed terms, engineering order books were 7 per cent. lower at the end of March than a year before.

First quarter orders to the pulp and paper mills rose 10 per cent., in volume and deliveries were 9 per cent. higher. The iron, steel and metal companies recorded a 21 per cent. growth in order intake and a 9 per cent. improvement in deliveries.

The bureau's consumer price index climbed 0.6 per cent. in April. This gives a rise of 4.2 per cent. for the first four months against 4.7 per cent. for the corresponding period last year, but the larger part of this year's increase came in January, when VAT and rent increases took effect.

In the three months since January, consumer prices have risen by only 1.8 per cent. This is particularly important for wage developments, as under the settlement between the employers and unions, workers are guaranteed an increase if the index rises by more than 7.25 per cent. from the January level. At the current rate of increase this guarantee would not be triggered before next February.

The number of Swedes without jobs in April was 89,000, or 2.1 per cent. of the labour force. This is 7,000 less than in March but 23,000 more than in April last year. Moreover, last month 155,700 Swedes were benefiting from various forms of unemployment relief and labour market support, while a further 46,700 were on state-financed training schemes within their companies. The corresponding figures in April last year were 126,600 and 44,700.

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EUROPEAN NEWS

Schmidt considers working time cut

BY JONATHAN CARR

BONN, May 16.

CHANCELLOR Helmut Schmidt today joined in the renewed upsurge of debate in West Germany over a cut in working hours, saying that such a step could indeed help reduce unemployment, albeit in the longer term.

In a newspaper article, he pledged that the Government would see whether the law dating from 1938—governing working time could be changed to reduce the scope for demanding overtime.

However, he emphasised that *cuts in working hours* and increase in holidays were in the first place a matter of nego*tiation between* employers and trade unions. They had a better view of the situation *from* one branch or enterprise to another.

The renewed public debate has been caused less by a reduction in the differences on the topic between unions and management, than by the failure of the number of unemployed to come down below one million.

Herr Schmidt *to-day* emphasised the steps the Government had taken to increase economic growth, going as he put it to the very limits of tolerable State indebtedness to try to bring about an upswing.

However, there are widespread doubts whether more economic growth in itself will greatly reduce the kind of unemployment from which West Germany now suffers—unemployment which co-exists with substantial overtime work in some branches and a lack of skilled workers almost everywhere.

So consideration has once again centred *on* the better sharing out of available work—with cuts either in hours or in active working life cited as possibilities of achieving this.

In an interview today, Herr Eugen Loderer, head of the country's biggest union, IG Metall, described the 35-hour week as no remote goal. He noted that had West Germany maintained the 48-hour week there would now be far more than one million unemployed.

But he insisted once again that a cut in working time could not mean a cut in wages.

German companies borrow more overseas Page 29

Italy poll result a setback for Communists

BY DOMINICK J. COYLE AND PAUL BETTS IN ROME

Andreotti (left), Berlinguer (centre) and Craxi.

THE POLLING STRENGTHS OF THE THREE MAIN PARTIES
(Percentage of the vote in general, regional, provincial and municipal elections)

	1968 Genl.	1970 Prvncl.	1972 Genl.	1972 Prvncl., Municpl.	1975 Regnl., Prvncl.	1976 Genl.	1978 Prvncl., Municpl.
Christian Democrats	38.78	36.37	38.73	37.5	35.5	38.9	42.5
Communists	28.03	27.08	27.51	25.8	32.4	35.6	26.5
Socialists	14.78*	10.89	9.66	13.5	12.1	9.2	13.3

Includes the Social Democratic vote. The Social Democrats broke away from the Socialists after the 1968 election.

THE ITALIAN Communist Party (PCI), the largest Communist party in the Western world, appears to have suffered a significant setback in the Italian local elections here over the weekend after 20 years of almost interrupted electoral advances. The party's popular backing compared with the most recent general election *slumped* by more than a quarter, opening a gap *of* 16 percentage points between it and the leading Christian Democrats (DC).

The key question now is whether this Communist setback is an isolated event, or whether it *marks* a final turning back of the Communist tide in Italy from the high-water mark in June, 1976. Then, in a General Election, the DC came out ahead of the Communists with a lead of no more than 4 percentage points—and even less in those areas which voted on Sunday and Monday.

Publicly at least the main parties are anxious to play down the outcome of these elections, *to emphasise* that local and national issues often prompt differing voting patterns, and to concede that the kidnapping and subsequent assassination of Sig. Aldo Moro, the former Prime Minister and DC party president, must have resulted in some degree of sympathy support for the Christian Democrats. The party has ruled Italy either alone or as the majority partner in a coalition for three decades. Privately, the DC leadership is cock-a-hoop.

Some sympathy vote for Sig Moro there *must* surely have been. But *even* a preliminary analysis of the results suggests that the Communists have suffered an important falling off of support, and that it occurred in all the main areas voting. Some at least of this support appears to have returned to the more moderate Socialist Party (PSI) which, admittedly from a *lower base*, actually made the largest percentage gains *in* the weekend poll, seeing its vote over the general election increase by almost half to 13.3 per cent. Sig Bettino Craxi, the party's new secretary-general, is thus strongly reinforced.

Indeed, a DC/PSI centre-left coalition, at least theoretically, once again looks a possible proposition with a combined electoral vote of almost 56 per cent., against less than half of all the votes cast in the general election two years ago. It was that inconclusive result which led ultimately to the present unique compromise which has in effect brought the Communists into the parliamentary majority though not into the Government.

So why, one might well ask, are the Centre-Left parties not openly celebrating, and at the main expense *of* the Communists? The answer, in fact, is that these elections were for local administrations. The results leave unaltered the present parliamentary arithmetic in which Sig. Giulio Andreotti's administration cannot survive *without the tacit backing of the* communists. And for constitutional reasons, to do with the *closing months of the presidency* of Sig. Giovanni Leone, a snap general election is not possible. Sig. Andreotti is also personally anxious to maintain maximum parliamentary support in the face of the rise of politically-motivated violence and for some unpopular economic measures to come.

With an overwhelming *majority of nearly 95 per cent*, the minority Christian Democrat Government of Sr. Giulio Andreotti last night won a vote of confidence in Parliament on tough measures to combat terrorism, writes Paul Betts in Rome. The measures, including life imprisonment for certain kidnappings, wider search and interrogation powers for police and greater freedom to tap telephones, had been blocked since March by the small Radical Party and the neo-fascist MSI party, which between them had put forward more than 2,000 amendments.

Italy's Christian Democrats, however, after the shock and trauma of the Moro kidnapping and murder, the loss of their one outstanding leader, can once again see hope.

For the Communists, and particularly for the leadership of Sig. Enrico Berlinguer, the election was a real setback—psychologically as much as anything else. The party's winning image has been dented, perhaps seriously so, despite the brave-face assertions from leading PCI spokesmen that the Communists do better in national elections than at local polls.

This is clear, as the chart here shows, but the trend has been upwards, spectacularly so from the provincial and municipal elections in 1972 when the PCI's support increased from 25.8 to 32.4 per cent. and to a record 35.6 per cent. in June, 1976. It *has now* dropped back by more than 9 points, while the DC has adavnced to its highest share of *the popular vote in 20 years.*

There remain, of course, a great many caveats, to do with voter *reaction* to the Moro assassination, the difference between local and national elections, the PCI's historical pattern of doing somewhat better in general elections than in local polls and, perhaps finally, the popular inclination to shift (however temporarily) to the known and *more* comfortable political centre when faced with a concerted terrorist challenge as that coming from the Red Brigades. For all that, the Christian Democrats believe they are back on a winning streak. The Communists fear that their party may have peaked. The leadership's post mortem could be tough and, ultimately, some heads might roll.

France may follow UK capital gains line

By David Curry

PARIS, May 16.

THE FRENCH Government is believed to be considering a radical change in the legislation governing the taxation of capital gains from stocks and shares. Instead of such income being added to a person's total revenues and thereby taxed progressively, the Government is tempted by the formula of a fixed deduction as practised in Britain and the U.S.

The original capital gains tax was voted in July 1976 after suffering a host of amendments during its passage through the National Assembly. Although M. Jacques Chirac, as Prime Minister, piloted the measure through, *he never concealed his* personal dislike of it, and the Gaullists almost immediately disowned it.

The combination of Gaullist hostility, the sheer administrative complexity of the tax, and the depression it was causing on an already gloomy stock market caused M. Raymond Barre, by now Prime Minister, to announce a year ago that its application would be postponed from the start of 1978 to the beginning of 1979.

The Gaullist went into the recent general election campaign pledged to repeal the tax and replace it by some form of wealth tax. M. Barre promised that it would be much simplified.

The Government is treading this difficult ground very carefully, not wishing to provoke a row between the Gaullist and Giscardian UDF, which is more enthusiastic about the principle of taxing capital gains. However, it seems that tax experts have advised that a flat rate deduction—the figure being mentioned is about 30 per cent.—will fulfil the requirements both of simplicity and of getting on to the statute books before the end of the year.

It is possible that the Government may tie in this measure with proposals to encourage the investment of savings in industry, particularly the idea of exempting from tax a proportion of revenue derived from subscribing to new share issues or building up an equity-linked portfolio to supplement incomes during retirement.

M. Rene Monory, the Economics Minister, estimates that such concessions could cause a transfer of up to FFr 5bn of savings towards industry at a cost to the Exchequer in fiscal loss, of some FFr 1bn.

Industrial waste row in Ireland

By Our Own Correspondent

DUBLIN, May 16.

WHAT BEGAN as a protest by a group of residents over the siting of an industrial dump in Co. Cork has developed into a dispute which could further dent Ireland's industrial image abroad, and has obliged the Government to issue a public statement.

The row is over the asbestos dump belonging to the U.S. Raybestos Manhattan factory at Ovens, Co. Cork. The £4m. plant makes brake linings but *its plan to use the dump in* Cork's lower harbour *has been* opposed from the beginning by local residents.

Yesterday there was violence when police cleared protesters, including women and children, *from the path of the first lorry* load of waste. Last night the consignment was secretly dug up and thrown over the fence of the plant, and fences and gates around the dump were damaged.

All of this has caused Mr. Ted Dean, the manager of the plant, to prepare a report for his parent company in the U.S. Raybestos, he said, could not carry on trading if it did not have a dump for its waste materials.

A spokesman for the parent company said this evening there were no plans to close the plant, but he refused to be drawn on what might happen if the protests continued.

The plant employs 65 men and is scheduled to provide 115 jobs at full production.

The Irish Industrial Development Authority (IDA) has said that it is surprised and disappointed at the residents' attitude.

In a statement today, the Government said it hoped the plant would stay open, reflecting concern that a closure would further damage Ireland's image as an attractive location for industry, already adversely affected by the recent spate of industrial disputes.

The residents' objections are based on fears about the health hazards of asbestos, but the application to build the dump received unusually strict scrutiny by the planning authorities. There is an agreement that the dump will be replaced by a permanent one elsewhere, but this is likely to take several months.

Helsinki Group documents attacked in Orlov's trial

BY DAVID SATTER

MOSCOW, May 16.

FIFTEEN prosecution witnesses in the case of Dr. Yuri Orlov testified today that documents of the Helsinki monitoring group which he headed slandered and distorted Soviet emigration and psychiatric practices, and misrepresented the situation of Soviet scientists.

As the trial of Dr. Orlov, one of three major Soviet dissidents facing criminal prosecution, went into its second day, Western journalists and friends of the accused continued to be barred from the courtroom as police put up steel barriers in front.

Mrs. Irina Orlova told correspondents that the witnesses, who included three doctors from the Soviet labour camps, two psychiatrists, two former political prisoners, two of his former scientific colleagues, and the chairman of a collective farm, responded to specific allegations of human rights violations in the Helsinki Group documents.

Dr. Orlov, who faces charges of anti-Soviet agitation and propaganda punishable by up to seven years imprisonment, yesterday declined to enter a plea in the trial.

Mrs. Orlova, who was searched on leaving the court-room today, said that the three doctors, two from the Vladimir Prison Camp and one from the Mordovia strict regime prison camp, answered a Helsinki group document on poor conditions in the camps by saying that nutrition and medical care in them were, in fact, excellent.

When Dr. Orlov asked to read the Helsinki Group document involved, in a pattern which was to be repeated throughout the day, his request was refused.

Mr. Anatoly Lebedev, a scientist at the Institute of Theoretical Physics and former colleague of Dr. Orlov's, testified that Dr. Orlov, a correspondent member of the Armenian Academy of Sciences, had distorted the situation of Soviet scientists in a Helsinki Group document which stated that Soviet scientists did not have freedom to travel. He said that such freedom exists within the framework of known agreements.

Other prosecution witnesses disputed the contents of Helsinki Group documents on the abuse of psychiatry in the Soviet Union and the right of a small group of Russian jews on a collective farm in the Ukraine to emigrate for religious reasons. Dr. Orlov has not been allowed to call any defence witnesses.

After the conclusion of today's session, the atmosphere grew ugly as up to 30 uniformed and plain clothes police and KGB men forced journalists and dissidents to leave the street in front of the courtroom, and a small group of police continued harassing tactics, following the group of dissidents and journalists around Mrs. Orlova and continually forcing it to disperse.

Meanwhile, Mr. Alexander Podrabinek, a leading Soviet dissident who said the KGB threatened to arrest him last year if he refused to give evidence against Dr. Orlov, has been arrested apparently on charges of spreading anti-Soviet slanders, dissident sources said today.

Mr. Podrabinek (24) said in a recent interview he was warned that the KGB had enough evidence to charge him with anti-Soviet agitation, the same charge facing Dr. Orlov, but would let the matter go if Mr. Podrabinek agreed to testify

OVERSEAS NEWS

THE BATTLE FOR SHABA

Zaire sends reinforcements

BY OUR FOREIGN STAFF

ZAIRE WAS yesterday reported to be moving reinforcements to its besieged mining town of Kolwezi and to be bombing Mutshatsha, the railway junction to the west of Kolwezi which is also reported in rebel hands.

Reports of the fighting in the copper-producing province of Shaba which began late last week, remain confused, with little first-hand information reaching the outside world. However, the exiled opposition movement, the Congo National Liberation Front (FNLC), which claims to be controlling the invasion repeated yesterday that it was in charge of Kolwezi.

Two FNLC communiques, made available through the Interpress news agency in Rome, said that the FNLC took over Kolwezi on May 13, following "patient mobilisation of the people of Shaba" over the past year. The FNLC said Zaire's forces fled at the beginning of the attack, although 10 senior Zaire officers and seven "French-speaking mercenaries" were taken prisoner.

An unsuccessful counter-attack, the FNLC said, was then mounted by gunmen—"probably mercenaries." The FNLC claimed that three Zaire Air Force Mirages, six transport aircraft and two helicopters were burned at Kolwezi airport.

The communiques said that the FNLC would guarantee the protection of all foreigners in Shaba. But it warned foreign governments that if they acceded to President Mobutu's pleas for help, "this could have serious repercussions on foreign nationals, as well as on the mining installations which are being mined with explosive devices."

Meanwhile, sources in Lusaka were yesterday quoted by Reuter as indicating an extension of the fighting to the area around Dilolo, on the Angolan border. The same sources said some of the estimated 3,000 foreigners in Shaba had been placed in "protective custody," but there was no confirmation of reports that a small number had been shot as the rebels advanced in Kolwezi over the weekend.

Economic tremors again

BY OUR FOREIGN STAFF

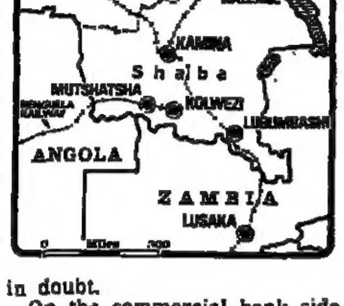
THE SECOND INVASION of Shaba province in just over a year seems bound to have severe effects on the overall Zaire economy, which has been suffering over the last four years from the world recession in copper prices, high inflation, an enormous foreign debt and serious mismanagement.

Though the direct Western stake in the economy has declined substantially since the Zaire Government nationalised the major copper-producing companies in the late 1960s and followed up that nationalisation by taking over industrial and commercial concerns in the early 1970s (some of which, however, have now been returned to their owners). Western governments, aid organisations and banks have a heavy indirect stake in the country.

Zaire's foreign debt—mainly contracted in the years of high copper prices, when Zaire attracted not only aid but large amounts of commercial credit—is now thought to amount to some $2-3bn.

About $2bn of this is medium-term debt and the rest credit contracted for less than a year. Of the $2bn of medium-term debt, commercial banks have about $500m at risk in Zaire and other commercial institutions (such as suppliers) about $200m. The rest is owed to official institutions, like the World Bank, or to governments.

The International Monetary Fund has been closely involved in attempts to re-schedule the Zaire debt and in associated arrangements to bring some probity into Zaire's financial and economic management. These have reached a critical stage, with an IMF team currently in Kinshasha, the Zaire capital. Agreement had apparently been reached for IMF officials to work from the Bank of Zaire, but the overall package depends also on the willingness of some ten nations, including the UK, the U.S., Belgium, Iran and Saudi Arabia to invest in plans for economic revival, particularly in the badly-neglected agricultural and transport sectors. These plans must, at the least, now be



in doubt.

On the commercial bank side, of the total of $500m, about $175m are now overdue. Zaire has some $85m in a special account with the Bank for International Settlements, which would go towards paying off these arrears if and when arrangements for a proposed new medium-term bank loan of somewhat more than $200m are completed.

Commercial banking sources say that, while Zaire kept more or less up to date on payments of interest on the commercial bank debt last year, there have been arrears of interest too this year.

A spokesmen for Citicorp, which is co-ordinating the new loan, said yesterday that it was too early to determine whether events in Zaire would further delay the conclusion of the loan.

Direct foreign investment in Zaire diminished sharply following the nationalisation of mines. It is estimated that some £500m of foreign holdings were taken over in late 1973, the majority Belgian, though substantial numbers of Portuguese, Greek and Lebanese concerns were also affected.

Foreigners have subsequently been offered back 100 per cent of their former holdings (though they must sell 40 per cent of this to Zaireans over five years). Société General, which was paid some £63m in compensation for its Union Miniere holdings, has gone back into shipping, among other activities. But otherwise the response has been slow. Direct British investment which includes some Unilever plantations, is small.

Zaire's main source of wealth is minerals. Any disruption to the flow of supplies from Shaba, the main producing area, is likely to affect the consumers of cobalt more quickly than those of copper.

Production of copper is centred on the complex of mines owned by Gecamines, the state-owned group, and to a lesser extent on Codemiza, a joint venture between the Zaire Government and a Japanese consortium. Cobalt comes exclusively from Gecamines.

With some 60 per cent of world production, the Shaba mines dominate the world cobalt market. But the situation is very different for copper.

Although figures from the Royal Institute of International Affairs show that the EEC relies on Zaire for 20 per cent of its copper needs, a shortfall in supplies because of the present confusion could be made good from the plentiful stocks overhanging the world market. It is likely, however, that London Metal Exchange prices (the international pricing medium) would increase.

Talks on Rhodesia constitution

SALISBURY, May 16.

RHODESIA's multiracial ruling executive council met today for the first time since the settlement of its crisis over the dismissal of black Justice co-Minister, Mr. Byron Hove.

Informed sources here said the feeling among members of the council was the Hove affair should be forgotten to allow the council to get on with plans for one-man, one-vote elections aimed at ending white minority rule and discuss a new constitution.

Bishop Abel Muzorewa and his United African Nationalist Council (UANC) decided on Sunday night not to withdraw from the interim administration in protest against Mr. Hove's dismissal. Mr. Hove was sacked for calling for discrimination in favour of blacks in the security forces, reports Reuter.

Bridget Bloom, Africa correspondent, writes: For the first time in many years, Zambia and Britain now have a common approach towards Rhodesia. Both agree that the Anglo-American proposals formed the best basis for a settlement, and that there should be an all party conference as soon as possible.

President Kenneth Kaunda, who left London for Washington yesterday, told a Press conference that the common Angola-Zambia approach on Rhodesia removed the one area that in the past had made co-operation difficult. He thanked the British Government for its new "soft" loan of £15.5m, designed to be part of a Western aid package to tide Zambia over its current economic difficulties.

Dr. Kaunda, who yesterday had full talks with Mr. Callaghan, the Prime Minister and this morning met Mrs. Margaret Thatcher, leader of the Opposition, repeated his objections to the internal agreement in Rhodesia.

It was he said, both a recipe for civil war and for internationalising the existing guerilla war. "Mr. Smith continues to control the army, the airforce, the police, the administration and the economy. All Bishop Muzorewa and the Rev. Sithole control are their clerical collars', the President said.

He indicated his belief that only if they controlled the electoral processes through their association with Mr. Smith would the internal leaders win an election.

According to Zambian sources, Mrs. Thatcher indicated that if the Conservative Party were in power, it would be likely to recognise the internal agreement. It may have been Dr. Raunda's apparently acerbic meeting with the Conservative leader which prompted him to appeal to British politicians not to make Rhodesia a party political issue.

"If you want the Bishop to lead, urge hi mto accept the Anglo-American proposals and fight free and fair elections," Dr. Kaunda said. He said he hoped that Mr. Smith would now do "one right thing in his life" and agree to attend a conference.

If he "and his collaborators" did agree to the Anglo-American proposals, the Rhodesian situation need not become an international conflict. If they refused the Patriotic Front "reserved the right to invite in whoever will help them." Zambia itself would have to decide later what terms and conditions would surround such help, which could be from Cuba and Russia.

Cost of living index in Israel up 5 per cent.

By L. Daniel

TEL AVIV May 16.

THE INCREASE in Israel's cost-of-living index in April reached a new monthly record of 5.5 per cent, bringing the cumulative rise since the beginning of 1978 to 13.7 per cent.

The April increase reflected higher prices in all fields, but was most pronounced for housing (9 per cent) and for footwear and clothing. Since the Government took no measures in April which might have caused the jump, it clearly reflects the gradual after-effect of the floating of the Israeli pound, which has resulted in a 45 per cent rise in the cost of imported raw materials, and the increased cost-of-living allowances. The rise in the cost-of-living index since April 1977 has been 54 per cent.

At the same time, exporters are complaining that the higher cost of labour, raw materials and power coupled with artificially slow devaluation is cutting sharply into their earnings. The head of the manufacturers association, Mr. A Shavit, yesterday accused the Bank of Israel of trying to control inflation at the expense of industrial exports.

Merger with Mrs. Gandhi's party rejected

By K. K. Sharma

NEW DELHI, May 16.

INDIA'S official Congress Party today compounded an already confused political scene when it spurned moves to merge with Mrs. Indira Gandhi's breakaway Congress (I) party.

The tottering official Congress party took tihs stand at the end of a two-day conference attended by leaders from all over the country. As a result, it is threatened with further defections to Mrs. Gandhi's party. These are expected particularly from the southern state of Maharashtra which is ruled by a coalition of the two Congresses.

The move for the merger was led by Mr. Vasantdada Patil, Chief Minister of Maharashtra, who fears that Mrs. Gandhi may withdraw support from his Government and topple it. The indications are that Mr. Patil will join Mrs. Gandhi's party, thereby not only strengthening her but also weakening the official Congress.

The Congress declared that it wants unity but under its own banner.

Tension but no violence at Narita

NARITA, May 16.

RADICAL opponents of Tokyo's new international airport chained themselves to an iron stake today when officials threatened to tear down their protest fortress. The helmeted protesters stayed put and later burned Government signs stating that the structure was banned from today, under an emergency law passed last week.

Despite the tension, no fresh violence was reported between the radicals, who aim to stop the much-delayed opening of the airport on Saturday, and the thousands of riot police guarding the perimeter.

Earlier, police mounted raids to search for weapons in eight other forts built by protesters around the airport, about 40 miles from Tokyo, and made early morning swoops on 30 left-wing hideouts

About 120 extremists were reported inside the main fortress with its 50-foot watch tower, surrounded by a wall of sharpened stakes 10 feet high.

It is one of two strongpoints which the Government wants vacated under the special law rushed through the Diet to prevent further fighting

Philippines need an exports windfall

By David Housego, recently in Manila

THE PHILIPPINES is badly in need of a windfall rise of export earnings. It was one of the developing countries to have borrowed most heavily after 1974 to finance the cumulative trade deficits that followed the increase of oil prices and the collapse of the commodity boom. With payments on interest and principal expected to reach a peak in the years 1978-80, it had been hoping for a revival of world demand by now to help with the servicing of its debt. But export earnings in the first quarter of this year were marginally below those of the first quarter of 1977. For the year as a whole officials are now forecasting a meagre 5 per cent growth.

A more prolonged recession would leave the Government little option but a further round of heavy borrowing or a cutting of imports that would stifle growth. Here is the record of recent years and the scorecard as it now looks:

Total outstanding external debt has expanded from $2.7bn at the end of 1975 (equivalent to 17 per cent of GNP) to $6.5bn at the end of 1977 (31 per cent of GNP). On debt contracted as of end-1977, the central bank estimates that service payments will increase from $963m this year to $1.02bn in 1979 and to $1.06bn in 1980. The $963m due in payments this year is equivalent to 31 per cent of 1977 export receipts of 22 per cent of current account receipts.

Export earnings

Export earnings, which jumped 44 per cent in 1974 over the previous year largely because of the surge of sugar prices, have grown at an average annual rate of 5 per cent since then to $3.1bn in 1977. Behind this disappointing performance there has been a sharp decline of prices for sugar and copper, which has not been offset by an increased volume of sales, or by the higher prices realised for coconut products.

The strength of the export sector has been in non-traditional items including manufactured goods, nickel, bananas and coffee.

Imports, after a sharp increase following the rise of oil prices, have also grown slowly. The 7 per cent increase of import payments last year to $3.9bn masks a decline of imports in real terms, reflecting a slowdown of investment. A further indicator of a potential falling off of new investments was that registrations of new projects with the board of investment were 45 per cent below those of the previous year.

The trade deficit from a peak of $1.2bn in 1975 fell last year to $839m and the current account deficit from a peak in 1976 of $1.1bn to $827m. The improvement on current account was mainly due to receipts from tourism and remittances from Filipino workers abroad, particularly in the Middle East.

President Marcos has called for an 18 per cent expansion of exports this year, this level of growth to be maintained in the years ahead, as part of the country's medium term plan. The Government has also accepted the World Bank's view that imports should rise this year by 14-15 per cent to generate a 7 per cent growth of GNP. Factors affecting these goals include the following:

Export earnings are continuing to be hurt by weak commodity prices and protectionist restrictions against manufactured goods. Among traditional items prospects are brightest for coconut products (now the country's largest export earner) and processed wood, but the future is still uncertain for sugar and copper. Sugar receipts will also be limited by the Philippines export quota under the new international sugar agreement of 1.4m tonnes a year as compared with a peak of 2.1m tonnes of exports last year. In the field of manufactured goods 61 per cent of earnings were last year concentrated on three items—garments, handicrafts and electrical and electronic components.

Rise in imports

Imports rose 15 per cent in the first quarter of this year as compared with the same quarter last year. Most of the increase was in the import of unprocessed raw materials pointing to a growth of domestic industrial production. Central bank officials are concerned that the recent lowering of interest rates, while stimulating investment, will also suck in an even higher level of imports.

The trade deficit for 1978 is now likely to be wider than originally expected. The size of the current account deficit will depend on the flow of remittances from Filipino workers in the Middle East and from tourist receipts. Recent increases in these two items have been the most encouraging feature of the balance of payments.

Under the ceiling on foreign borrowing negotiated with the International Monetary Fund, the Philippines expects to raise $960m. in commercial loans this year and a further $700m-$800m in development assistance from donor nations or multilateral institutions. Next year the Government will no longer be subject to the tight restraints on its borrowings imposed as a result of its drawings on the IMF extended fund facility. With this three year programme at an end, the Government will have the option of raising larger commercial loans, utilising an existing commercial stand by credit, or arranging a new stand-by credit with the IMF.

AMERICAN NEWS

THE U.S. SENATE ARMS SALES VOTE

Israeli lobby overplays its hand

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON, MAY 16.

PRESIDENT CARTER might have been excused for publicly savouring last night his second substantial foreign policy victory in a month, when the Senate rejected by 54 to 44 the resolution to block the package sale of fighter aircraft to Israel, Saudi Arabia and Egypt.

It looks, however, as if he is not going to do this. If he does not, it will partly be because of his desire not to rub salt into he deep Israeli wound—its first big defeat in the American public political arena in 30 years. But it will also be because of the realisation that it was a strange coalition that carried the issue for him yesterday. Less than half of the Democrats in the Senate, in many cases unhappy about the way they were voting, were joined by almost as many Republicans, almost as unhappy.

It would, therefore, be unwise to suggest that Mr. Carter has suddenly discovered the magic key to working his will on an obstinate Congress, or been given a Congressional carte blanche to pursue an "even-handed" policy in the Middle East. But there are lessons to be drawn from the events of yesterday, when, for once, the Senate engaged in a genuinely uninhibited public debate on all sides of the issue for 10 full hours, of clear relevance for both international and domestic policy making.

The first is that the automatic Israeli hold on American allegiance is now in question. Much of the credit for this must go to President Sadat of Egypt, the first Arab leader to make a deep favourable impression in this country. But—probably just as significant in determining last night's outcome—there is the fact that for the first time the powerful Israeli lobby in the U.S. severely overplayed its hand.

Senator Mike Gravel, the Democrat from Alaska, gave rare public voice in yesterday's debate to the pressure put on him by his traditional Jewish-American supporters. "I think this will be the watershed year for Jewish influence in this country," he said. "What is happening to me (i.e., political pressure), I am sure it is happening to other members of the Senate who have been loyalists to the Jewish cause in the Middle East." He added that: "When you deliver an ultimatum once, you cannot deliver it twice or three times."

Senator George McGovern who, on the strength of his presidential platform in 1972, might have been thought to be the last person to support any foreign arms sale package, reflected the new realities in a different way. He urged Israel's advocates in the U.S. not to press their case "to the point where America loses its capacity to influence the Arab leadership towards the peace cause." Senator Abraham Ribicoff, the Connecticut Democrat and himself Jewish, delivered one of the most weighty speeches, the nub of which was that while a strong and secure Israel was the in U.S. interest, "a strong U.S., militarily, economically, and diplomatically, is also in Israel's interest."

The clear underlying concern of many senators was that they did not like being asked by the Israeli lobby to view this as a simple litmus test of their allegiance to Israel. This, of course, is precisely the area in which President Sadat has scored heavily in getting across the Arab case. There was, additionally, much discontent with the attempt to play a pivotal role by Senator Frank Church, the Idaho Democrat destined to become the next chairman of the Foreign Relations Committee in the New Year. At first trying to engineer a compromise but latterly appearing to have fallen entirely under the influence of opponents of the package, Mr. Church's credibility was sorely damaged.

It was also transparently obvious from the debate that many senators have realised the implications of the new economic relationships between the U.S. and the oil-producing moderate Arab states. Senator John Stennis, the veteran Mississippi Democrat, stated bluntly: "It seems to me absolutely vital that the U.S. maintain its influence in an area of the world where we have become so vitally dependent for our day-to-day energy supply." The Israeli lobby had tried to suggest that the U.S. was simply bowing to Arab oil blackmail, but this was a position which did not wash especially among business-orientated Republican senators and Democrats like Senator Ribicoff, who said that "without a stable, predictable supply of oil. . . the West could face the worst depression of the industrial era."

The debate also heralded the appearance in Washington of a relatively sophisticated Arab lobby. Saudi Arabia, in particular, has secured the services of a number of politically astute establishment personalities to press its case; and one argument which clearly carried weight was that if Saudi Arabia was denied U.S. arms it would have no hesitation looking elsewhere (to France), with a consequent diminution in U.S. influence over Arab policies.

Although the final margin of victory for the Administration was much wider than had been expected, Senate divisions were none the less deep, cutting across party and ideological lines. Among liberals, Senator McGovern was for the sale, Senator Edward Kennedy against it. Liberal opposition was in part based on the belief that improving the military capabilities of the countries concerned is an odd way to promote peace in the Middle East. Among Jewish Senators, Mr. Ribicoff came out in favour, Senators Jacob Javits and Richard Stone against. Among conservatives, Senator Dole, the Kansas Republican always mindful of the main chance, opposed the package, but such died-in-the-wool Right-wingers as Barry Goldwater and Stom Thurmond voted yes.

The resolution of the arms sale package confirmed the evidence of the Panama Canal debate that the Carter Administration is becoming more adept at getting its arguments across. The President himself was actively involved, Vice-President Mondale indispensable, and the Secretaries of Defence and State effective. Moreover, the Administration got its package without having to make major concessions, merely promising to supply Israel with 20 extra F-15s in the future and providing rather vague assurances from Saudi Arabia that its F-15s would not be deployed against Israel.

Yet it is legitimate to wonder if the Administration could have caried the day had the Israeli lobby not misread the mood of Congress. One incident, which may turn out to have been a critical error, was the warm welcome given a couple of weeks ago by a Jewish audience in Washington to an extraordinarily virulent speech by Senator Lowell Weicker, the Republican from Connecticut, when he came very close to accusing the Administration, and Dr. Brzezinski, the National Security Adviser, in particular, of blatant, Hitlerian anti-Semitism. An attempt by a Jewish White House aide to rebut the Senator was jeered. The affair was widely noticed here, and generally disapproved of.

It demonstrated the all-or-nothing approach adopted by supporters of Israel in invoking the "special relationship" that has existed for 30 years. In the past it was an appeal that always worked. Its failure to do so this time reflects a changing American perception of the Middle East and of international interdependence. Supporters of Israel have only lost a battle, not a war, but a battle which perhaps they should not have fought on the terms they did. It will be intriguing to see if they can adapt.

Egypt welcomes the decision

THE DECISION by the Senate last night to approve the sale of fighter aircraft to Egypt and Saudi Arabia may have the effect of improving some of the more worrying aspects of President Anwar Sadat's planned moves against his more vocal critics inside Egypt, *Roger Matthews reports from Cairo.*

Despite Mr. Sadat's description of the F-5E fighter jet as a "tenth-rate plane" there is no doubt that the Senate vote was warmly welcomed in Cairo as the first major defeat for the powerful Jewish lobby since the setting up of the Israeli state. It may also open the door to further U.S. technology in the armaments field, while suggesting to the more optimistic that Washington could now be prepared to exercise pressure on Israel in an effort to get the stalled Middle East peace talks going again.

As a confirmed optimist, Mr. Sadat is certain to be buoyed by the Senate approval. This could lead him to adopt a milder attitude to his domestic opponents once he has received the overwhelming vote of confidence that is ensured in next Sunday's referendum.

In Tel Aviv, David Lennon writes: Israeli leaders expressed regret and sorrow rather than anger over the Senate vote. The relatively restrained first reaction hid the reassessment which is going on here following Israel's failure to block the sale of U.S. planes to the Arab states.

Mr. Menahem Begin, the Prime Minister, is understood to have consulted with some of his ministers and also reported this morning to the Knesset Foreign Affairs and Defence Committee. After that meeting he said: "The Government deeply regrets the Senate's decision which will be discussed at the next Cabinet meeting."

Mr. Shimon Peres, the chairman of the Labour Party, accused the Government of mishandling the fight against the three-nation deal. The afternoon papers in their editorials also blamed the defeat of the Israeli lobby in Washington on faulty Israeli tactics and hesitancy. "Maariv" wrote that, "to this very moment it is not clear whether the Israel Government wanted the package deal approved or postponed."

It was confirmed privately today that President Sadat offered to make a separate peace agreement with Israel during one of his meetings with Israeli leaders. The Cabinet discussed the offer but apparently found the conditions laid down by the Egyptian leader to be unrealistic.

President Sadat wanted Israeli agreement that the bilateral peace deal would lead to a permanent peace in the region. Israel pointed out that without a solution to the Palestinian issue there could be no permanent peace.

INDUSTRIAL PRODUCTION INDEX

Encouraging April figures

BY DAVID BELL

WASHINGTON, May 16.

THE U.S. index of industrial production rose sharply last month for the second month in a row and lent weight to the Administrations new-found view that the economy can do without a tax cut of the size it once proposed.

The Federal Reserve reported this morning that, in April, the index climbed by 1.1 per cent., and the Fed also revised upwards the March index, reporting that it registered even stronger growth of some 1.3 per cent. On the basis of new figures, there was also a revision in the February index, which increased by a more modest 0.6 per cent.

Last Friday, President Carter said that he had accepted the advice of the Federal Reserve and several influential Congressmen that this surge in activity indicated that the economy probably would not need the full $25bn tax cut proposed in January. Instead, the Administration is now proposing a $19.4bn cut which would not come into effect until next January, rather than in October as first proposed.

There is already pressure from some quarters in Congress to reduce this tax cut still further—perhaps to $15bn—and this pressure can be expected to grow if the economic indicators continue to be as encouraging.

About 35 per cent. of the rise in the index in April was accounted for by the ending of the coal strike, but it also reflected widespread gains across the board with a sharp increase in output of cars, business equipment and a range of durable goods. Further evidence that the pace of activity is continuing to quicken came this morning with the figures for new car sales in the first 10 days of this month. These rose 9.6 per cent, and only just fell short of the industry sales record for early May, which was set in 1973.

The increase in industrial production helps to explain the continued improvement in the unemployment figures. The number of people out of work has fallen faster than the Administration was expecting. It has been a major reason for Mr. Carter's recent shift of emphasis away from unemployment and towards inflation as the most serious economic problem.

Meanwhile, the Commerce Department reported this morning that business inventories, apparently in anticipation of sales to come, rose by 1.3 per cent in March, the largest gain for 3½ years. The department said retail sales last month climbed 1.5 per cent and that together these indicators suggest that the economy might be gathering momentum for further expansion in the next six months.

The growth in inventories was uniform across the board and seems to suggest that most companies are betting that consumer sentiment will remain rather more favourable than suggested by recent consumer confidence surveys.

There are those in the Administration who fear that this buying is prompted by a desire to buy before prices rise. They think that as, or if, inflation also gathers pace, there could be a sudden switch to savings with a corresponding downturn in economic activity.

Brazil car strike spreads

BY SUE BRANFORD

SAO PAULO May 16.

ALL 8,000 wokers at the Ford car factory in Sao Bernardo on the outskirts of Sao Paulo came out on strike yesterday. This morning the strike spread to 500 toolmakers at the Mercedes-Benz factory.

The workers are joining the strike started on Friday by 2,000 workers at the nearby Saab-Scania plant. In the most important inudstrial action in Brazil since 1968, the workers are demanding a 20 per cent wage increase to make up for the effects of inflation on the purchasing power of their wages in recent years.

The workers at Saab-Scania decided at lunch-time today to return to work until Friday while negotiations take place between the metal workers' union and the management. They maintain that they will continue the strike next week if their demands are not met. It is believed that the strike may spread to other motor factories in the largest industrial region in Latin America, centred on Sao Paulo.

Ottawa call for big tax change

BY VICTOR MACKIE

OTTAWA, May 16.

THE CANADIAN Royal Commission on corporate concentration has suggested that corporation and capital gains taxes should both be abolished, when it reported to Parliament in Ottawa yesterday. The commission said that removal of the taxes would encourage the $500bn of investment which Canada requires in the next seven years.

The commission's recommendation would cost the Federal Treasury more than $6.5bn a year in revenue. The proposals were described by the commission as "radical and provocative."

They are unlikely to reach the statute book, however. The Government might be prepared to abolish capital gains tax, which brought in $235m in 1976, but abolition of corporation tax could cost the Government about $6.25bn a year.

The commission's proposal on corporation tax is that any company which reinvests its corporate profits should escape tax on those profits. Any dividends distributed would still be liable to tax.

The commission said that Parliament acting on the advice of the Federal Government should be the final judge of whether to prohibit major mergers. The commission was set up three years ago to consider whether big business was growing too large in Canada. It found that, in comparison with other industrial countries, Canadian big business was not large.

The commission said that no radical changes in laws governing corporate activity were necessary at present to protect the public interest. It proposed some changes in legislation to force companies to disclose more information and to give more independence to directors.

The commission said a strong and vigorously enforced competition law was necessary to prevent dominant firms from entrenching a monopoly or quasi-monopoly and from exploiting tariff protection. It was also necessary to provide a check on abuses of market powers and to increase the likelihood of entry and competition from small and medium firms.

Payments inquiry into ITT

By John Wyles

NEW YORK, May 16.

DOCUMENTS filed in court by the U.S. Securities and Exchange Commission (SEC) indicate that International Telephone and Telegraph (ITT) subsidiaries in Spain, West Germany, and Belgium are refusing to supply information for an investigation of questionable payments.

ITT has been resisting SEC efforts to issue a complaint alleging questionable payments by the subsidiaries. The company has claimed that such a move could hurt its sales and could prompt governments in the countries where they are based to effect take-overs.

SEC papers filed in a federal court in Washington appear to identify the recalcitrant subsidiaries as: Standard Electrik AG, of West Germany; Nell Telephone Manufacturing Company, of Belgium; and Standard Electrica SA, of Spain. ITT told the SEC in 1976 that these subsidiaries were resisting the parent company's request for documents in connection with the investigation.

Legal gambling comes to Atlantic City

By Our Own Correspondent

NEW YORK, May 16.

SOME 700 invited guests will be playing blackjack, craps and roulette in a hotel in Atlantic City, New Jersey, tomorrow night in a dress rehearsal for the opening late next week of the first legalised gambling casino in the U.S., outside the state of Nevada.

The path for the start of gaming on May 26 was formally cleared yesterday when Resorts International was granted a temporary licence by the state Casino Control Commission. This was one of he last of several major precedural hurdles erected by New Jersey in an attempt to prevent infiltration by organised crime.

Resorts International, which operates casinos and hotels in the Bahamas, expects its $40m Atlantic City investment to yield gross revenues of $100m a year and net earnings of at least $20m. The company's stock has been soaring in recent months.

U.S. COMPANY NEWS

Seven-Up agrees increased offer; Call for oil companies to retain coal stake; Citibank sells Iran holding—Page 28

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WORLD TRADE NEWS

U.K. hits at Washington over curb on steel trade

BY DAVID BELL

WASHINGTON, May 16.

THE British Steel Corporation is having "real difficulty" in winning new export orders in the U.S. because of a number of anti dumping suits which have yet to be resolved, Mr. Frank Judd, Minister of State at the Foreign Office, told reporters this morning.

Mr. Judd said that Britain was "quite sure that we have not been dumping" but that the anti dumping investigations being carried out by the U.S. Treasury as a result of complaints filed by U.S. companies meant that it was very difficult for BSC to know what prices it might have to charge for steel.

Under U.S. trade law the Treasury has the power to levy countervailing duties if it finds evidence of dumping and these duties could push up the price of British Steel.

Most concern is over a suit brought by Armco Steel that affects several other European steel makers as well.

The result of this process, Mr. Judd said, was "a very distorting effect on new orders" which was putting the state steel company in "real difficulty."

He said that in his talks in Washington he had detected a marked difference of approach between the U.S. and the European Economic Community on what is, and is not, a subsidy. European governments, he said, thought it important to mix social and economic policy where necessary, but this approach was not yet accepted in the U.S.

The British Government, for example, was often accused of unfairly subsidising BSC by giving it outright grants. But this was not the case. The loans being provided by the Government would be "remunerated in prices" and were accompanied by a major restructuring of the industry which had eliminated thousands of jobs despite the political consequences of such a policy.

Mr. Judd also defended the liberal financing terms under which Rolls-Royce is supplying the engines for a fleet of Lockheed TriStar aircraft ordered by Pan Am last month. Rolls-Royce had not received preferential treatment because it was a state company, he said, and the terms while generous were "not unprecedented."

The deal has been strongly attacked as unfair competition by the U.S. aircraft industry, but Mr. Judd said that the criticism had been overdone. "In terms of the overall balance between Europe and the U.S. in aviation matters the deal is very small," he said.

On other matters Mr. Judd said that Administration officials had told him that they detected some signs that Japan was at last responding to European and U.S. concern about the size of its trade surplus and he noted that the current multilateral trade negotiations in Geneva are having to come to terms not only with the emergence of developing countries with industrial muscle but also with less advanced countries whose interests must be protected.

W. German export risk increases

By Jonathan Carr

BONN, May 16.

THE SHARPLY increasing risks and problems facing West German exporters are revealed in a report released today by Hermes, the Federal Government-backed credit insurance company.

It shows that in 1977 exporters were granted a new record sum in insurance cover—and that payouts for what the company terms political damage more than quadrupled against 1976.

Total new cover worth DM 51.3bn was provided to exporters last year—a rise of 51 per cent against the figure for the previous year. This compares with a rise in the value of West German exports last year of 7 per cent to DM 273.5bn.

Thus the trend has continued to insurance coverage for an ever-increasing proportion of exports. Last year new cover equalled almost 19 per cent of the value of exports, against 13.3 per cent in 1976 and only 6.1 per cent in 1973.

This development is due partly to a shift in German export markets over the past few years, particularly towards developing countries where the economic and political risks of business are considered high.

Last year nearly three quarters of all export insurance cover made available was for business with the developing world.

A further and related reason for the rise in the need for insurance cover is a change in the structure of the export orders themselves. Increasingly German companies are receiving demands for complete industrial plants — business which is hard to tie up satisfactorily and whose very size brings greater risks than hitherto.

Last year a total of DM 149.6m was paid out for "political damage."

In contrast there were fewer payouts for business damage —DM 6.7m last year against DM 8.8m in 1976.

Brazil-U.S. trade tensions eased

BY DIANA SMITH

RIO DE JANEIRO, May 16.

IN THE aftermath of courteous but, according to both sides "plain-speaking" encounters between Mr. Alan Wolff right hand man to U.S. Special Trade Representative Robert Strauss, and Brazil's foreign trade authorities, it seems that Brazil has come a step closer to more active participation in the current GATT round in Geneva.

Hinting discreetly that neither Mr. Wolff nor U.S. Assistant Treasury Secretary Mr. Fred Bergsten, who recently lashed out at Brazil's "protectionism" were perfectly informed about the country's economic situation or the size and scope of temporary import restrictions or export incentives, the Brazilians now feel that the U.S. Administration has a clearer view, and, therefore, is subtly shifting its attitudes.

Brazil's greatest concern is to ensure that tariff concessions or countervailing rights are discussed in the GATT forum, with its full participation.

So far, officials say, they have been out on a limb while the U.S. and EEC have debated the subsidies and countervailing rights code like members of a private club.

Brazil's interest in the code is paramount. The U.S. accounts for 25 per cent of its foreign trade, and Brazil is unhappy with the criteria suggested to assess damage to local industries from imports.

Essentially, it wants the code to demand absolute proof that a company's financial problems are due exclusively to imports—not to other causes—before countervailing rights are contemplated.

The U.S. has not fully yielded its ground on this item but, last week Mr. Wolff agreed that Brazil should be kept closely informed and that the U.S. and Brazil would sit down together in Geneva in June to discuss the matter further.

In the thorny field of import restrictions, in exchange for U.S. flexibility on the GATT round, Brazil indicates that if the balance of payment improves in the next two years, it will gradually reduce tariffs (over a ten-year period) and ease restrictions like the 200 per cent compulsory deposit on non-essential imports.

However, it maintains that unless it is given a decisive role in the GATT talks, it would have to reconsider this proposal.

Brazil's massive export drive (exports of $12.1bn in 1977 compared with $6.2bn in 1973), where manufactured goods play a growing part—thus making it a competitor of industrialised nations —has had a dual effect.

On the one hand, it tends to stand apart from other developing nations which still concentrate on raw material exports; on the other, it is beginning to draw the fire of its competitors —powerful fire, which could damage it unless it can mix flexibility with hard selling policies.

$150m line of credit for foreign goods

BY OUR OWN CORRESPONDENT

RIO DE JANEIRO, May 16.

BRAZIL'S FINAME (Industrial Incentive Fund) has opened a $150m. credit line, led by the First National Bank of Chicago, Standard Chartered, Merchant Bank Loyds International, the Bank of Tokyo, the Long Term Credit Bank of Japan, the Industrial Bank of Japan, the Commerzbank, and Bank für Gemeinwirtschaft, to help Brazilian companies to purchase equipment manufactured by foreign companies in Brazil: in essence, buyers' rather than suppliers' credits.

The new concession comes at a delicate moment in the Brazilian capital goods sector, where national companies are expanding and struggling to obtain advanced technology to compete on equal terms with their foreign counterparts. Many Brazilian businessmen openly express their resentment at the heavy weight of foreign capital in the industry and oppose further financial concessions to foreign-based manufacturers.

They are anxious to break into the rich market of orders from State-run enterprises, which account for four-fifths of the demand for capital goods. This year, vast hydroelectric projects, steelworks and telecommunications plans are moving from the drawing boards into reality. The frustrations of Brazilian manufacturers who must join foreign enterprises if they hope to participate in those expensive undertakings, is increasingly apparent.

However, the more realistic among them admit that with modest technology and little in national funds, they have few options but to build up their expertise, assuming foreign companies are prepared to share it, over the years. Others call on the Government to reserve the market to ensure that Brazilian manufacturers get their due share. The Government has already done so for minicomputers, but to do so for heavy equipment at this stage would be almost impossible.

Ministers, among them Sr. Joao Paulo Velloso, Planning Minister, hint that Brazilian manufacturers of heavy equipment have not yet "matured" substantially — hence their low share of major orders. Such lack of "maturity" has been defined as excessive concern with immediate profits and too little concern with technical development, quality control or delivery dates as well as excessive variety of products offered instead of concentration on one impeccably developed product, and poor merchandising.

To assist national industry, the Government insists that manufacturing projects offered by foreign companies must find a Brazilian partner and invoice outright technology transfers. But the balance is still lopsided and likely to remain so for some time to come.

Meanwhile there are signs of soul-searching by Brazilian industrialists, many of whom are realising that clinging to the Government's skirts is not a formula for real growth or true competition.

Canada in Algerian deal

ALGIERS, May 16.

THE ALGERIAN State-run hydrocarbons concern Sonatrach has agreed that Bechtel of Canada should develop the gas field in the Rhourde Nouss region.

The contract is valued at $626m, including $83m in goods and services from Algeria. Financing is being organised by Societe pour l'Expansion des Exportateurs du Canada (SEE) and a group of banks led by Toronto Dominion Bank.
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Robert Gibbens in Montreal adds: The Canadian portion of the total contract is C$543m for the foreign goods and services. That will be supported by C$350m from the Federal Export Development Corporation. It is the Corporation's largest single financing yet.

Canadian Bechtel will provide overall engineering and construction services. It is negotiating with the Algerians to build the 500-mile pipeline to move the gas to liquefaction terminals on the Mediterranean coast.

Eximbank in 'aggressive' drive

HOT SPRINGS (Virginia), May 16.

THE UNITED STATES Export-Import Bank (Eximbank) president, Mr. John L. Moore, said on Tuesday that the bank is embarking on an "aggressive" export financing effort.

He told the annual meeting of the Bankers' Association of Foreign Trade (BAFT) that Eximbank is starting to offer co-operative credit lines to the central banks or other government agencies of countries "emerging from economic difficulty," to help those countries step up their imports of U.S. goods.

Eximbank is increasingly accepting "deviations" from its regular scale of interest rates for loans to borrowers abroad to meet competition from official export credit agencies in other prominent trading countries.

In helping to arrange U.S. financing for export transactions, it has conditioned certain financing commitments on the willingness of U.S. exporters to pare their prices to foreign buyers.

Mr. Moore made clear that he would consider other policy changes to stimulate U.S. capital goods exports, when the nation is striving to trim its massive merchandise trade deficits with other countries. Eximbank might be willing to subsidise U.S. commercial bankers on some loans that finance export transactions.

He asked whether the commercial bankers might, for example, offer an 8 per cent fixed rate of interest to foreign buyers for five to seven years if Eximbank guaranteed a return equivalent to a floating rate of interest plus 1 per cent.

Eximbank might then want commercial banks to pay the Eximbank if the floating rate, plus the 1 per cent, yielded the lenders more than 8 per cent on their export credits.

Over the next five years, Mr. Moore said, the U.S. will need to "at least double" its exports of capital goods, if its trade deficit is to be significantly reduced. In 1977 the U.S. exported capital goods valued at $40bn, more than half going to the developing nations that provide the "fastest growing" markets for such U.S. exports.

Assistant Commerce Secretary, Frank Weil said in remarks read to the convention that the Carter Administration is considering tax credits to subsidise U.S. companies that set up marketing affiliates abroad to help to expand the nation's exports. In the proposed plan, any U.S. company might claim credits for three to five years on new overseas selling operations that would increase exports.
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W. Europe machine tool industry outlook better

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE UK machine tool industry appears to have survived the recent recession in better shape than its European competitors, according to a survey among the 13-nation European Committee for Cooperation of the Machine Tool Industries (CECIMO).

The survey showed that between 1973 and the end of last year, employment in the British industry fell by four per cent to around 50,400.

In comparison, the West German machine tool manufacturers cut their workforce by 13 per cent, to roughly 97,000, while in France the cutback was one of 20 per cent, to 21,500. However, the big drop in employment in the UK industry came with the 1971 recession when other countries were less badly affected.

Eleven CECIMO member countries were involved in the inquiry, which gave a generally optimistic outlook. Forecasts for the first half of 1978 suggest that European machine tool manufacturers will see an increase in orders of about seven per cent compared with the same period last year.

The inquiry showed that output might have been even higher but for the generally low level of investment in capital equipment that continues round the world, and serious competition from low-cost and low-price countries, including Eastern European manufacturers and some developing countries.

The CECIMO members also say they are suffering from continuing inflationary wage levels in Western Europe, "unrealistic and adverse exchange rates" and, in some cases, "the imposition of unnecessarily restrictive safety precautions."

More imports for India

BY K. K. SHARMA

NEW DELHI, May 16.

THE INDIAN Government today took a major step towards ending protection of 14 capital goods industries and also for using the growing foreign exchange reserves by announcing that global tenders for imports of specified equipment will be permitted.

A statement by the Ministry of Industry said imports would be permitted irrespective of whether some of the capital goods are manufactured in India. It further allowed import of 24 types of capital under the "open general licence" scheme.

Industries and projects for which global tenders will be permitted include fertilisers, newsprint and paper, basic drugs, basic technical material for pesticides and weedicides, power generation, transmission and distribution, mineral exploration and mining, petroleum exploration and production, petrochemicals up to the stage of polymers manufacture of professional grade electronic components, waste disposal recycling and effluent treatment projects and geological engineering, materials handling projects and ports, sugar, cement and cement products (including asbestos), and 100 per cent. export-oriented industries.

Capital goods that will be allowed to be imported under the open general licence include capstan lathes, hexagonal turrets and up to 50 mm bar cap turrets, radical drilling machine-milling machines, mechanical shaping and slotting machines, crankshaft regrinding machines, universal tool back sawing machines, guillotine shearing machines, wire drawing machines wire pointing machines, portable pneumatic tools, valve face regrinding machines, mechanical press brakes, hydraulic and mechanical presses, and watch-making machines.

Japan wins Saudi order

Saudi Arabia has awarded a contract worth riyals 1.33bn to build five thermal power generating plants and five desalination plants to a group including Mitsubishi Heavy Industries, Sasakura Machinery and Mitsubishi Corporation, James Buchan writes from Jeddah.

The Japanese contract is one of seven in a deal signed on Sunday by the Saline Water Conversion Corporation. The Mitsubishi plants are to be built over three and a-half years to supply Yanbu with 5m gallons a day and Medina with 20m. Power generation capacity will total 250 megawatts.

The estimated cost for the team's services in the initial phase is about $20m.

Fluor in Abu Dhabi

Abu Dhabi National Oil Company has selected a Fluor Corporation team to provide planning and project and construction management assistance for its multi-billion dollar infrastructure programme at Ruwais, AP-DJ reports from Irvine, California.

Plessey Brunei sale

A £500,000 order for a Plessey telex and low-speed data system has been placed by the Brunei Government. It includes supply of installation and commissioning services and training of Brunei technicians.

$235m cement plant

GATX CORPORATION said a joint venture of its Fuller unit and Hyundai International of Seoul, South Korea, has been awarded a $235m. contract for a cement plant to be built in Saudi Arabia, AP-DJ reports from Chicago. Fuller's portion is valued at $33m.

Danes buy UK press

The Danish printers and publishers Egmont H. Petersen have placed a £1m order with Baker Perkins, of Peterborough for a newly designed twin-satellite web offset press designated the H16.

HOME NEWS

Cheap rate Christmas post of 5p planned for major cities

By John Lloyd

THE POST OFFICE has decided in principle to bring in a special cheap rate for Christmas post of 5p. The rate, which will probably come in this Christmas, will be within the "post towns"—that is, those cities and towns which have their own letter sorting centres.

It has also proposed restarting a partial collection service on Sunday, which could cost under £10m. a year, or nearly £3m. more than annual running costs two years ago, when the service was abandoned on cost grounds.

Restoration of full Sunday collections, advocated by the Union of Post Office Workers, could cost £11m. a year.

The decision to grant the concessionary Christmas rates was also taken in part because the postal business is showing surprising signs of growth in a number of areas. Postal profits for the last financial year are thought to be slightly up on the previous year's figure of £24m.

However, there are financial problems. The cheap Christmas rate depends on a growth of traffic by at least one-third before it covers its cost, and there are doubts on whether such growth will be achieved.

For the Christmas service, a letter posted for example in Inner London, or in Greater Manchester, to an address in the same area, will cost 5p. Letters outside the "post towns" or from centre to centre, will be charged at the normal rate.

The scheme — details of which still have to be worked out—is largely a result of pressure from Sir William Barlow, the Post Office chairman.

Soon after taking up his post last November, Sir William made it clear that he would be examining both cheap Christmas rates and Sunday collections, in order to improve the Post Office's image.

Pressure

Under the partial Sunday collections scheme, post boxes would be emptied selectively across the country.

The Post Office is thought to favour partial, rather than full, Sunday collections, in order to keep costs down.

But the postal workers union, which campaigned against the cuts two years ago, is pressing for full restoration on the grounds that this prevents unfair discrimination.

Amoco Cadiz inquiry told of steering hitch

BY IAN HARGREAVES, INDUSTRIAL STAFF

MODIFICATIONS to the steering systems of supertankers should perhaps be considered in the light of the grounding of the Amoco Cadiz, the official inquiry into the accident was told yesterday.

Mr. Paul Vragel, a naval architect from Amoco, which owned the ship, was asked by the inquiry to give a personal view about tanker steering design.

He said that although steering gear of the type fitted to the Amoco Cadiz had "seen many years of satisfactory service, it could be that some additional provision should be investigated."

The first day of the inquiry in London was taken up with an exhaustive account of the steering system, designed by Manises of Spain, of the wrecked ship. It was a failure in the hydraulic pressure leads to the steering which caused the ship's rudder to rail and led to her grounding off the coast of Brittany in March.

Mr. Vragel explained that if there was a complete loss of pressure to the steering hydraulics, there was no mechanical means of moving the rudder. The tanker, in accordance with international regulations, was fitted with twin pumps and twin hydraulic ramming units, but was dependent upon a sole hydraulic feed.

It was established during questions that various mechanisms should have made it plain to those on the ship's bridge and in her engine-room that rudder control had been lost. There was, however, no actual pressure gauge on the steering hydraulics to warn of slight losses of oil pressure.

SIR GORDON WILLMER: Chairman of the inquiry.

At the opening of the inquiry, Dr. Frank Wiswall, Counsel for the Liberian Government under whose flag the Amoco Cadiz was registered, said that the vessel was well equipped and manned by a highly qualified crew.

The ship's officers were all graduates of the Italian Maritime Academy and had, with one exception, had previous experience of large tankers. Among the deck officers, three men had full master's certificates and in the engine-room there were three men with chief engineer's tickets.

Built in 1974 by Astilleros Espanoles, of Cadiz, Spain, the ship carried the latest anti-explosive devices, dual radar, satellite navigation and a collision avoidance system. She was, he said, "modern and superbly equipped."

Mr. George Mason, representing the American Bureau of Shipping, said this equipment, including the steering gear, had been subject to regular inspection and had been surveyed two or three times since the ship's construction.

The initial days of the hearing will deal mainly with matters of engineering, after which an adjournment is planned before the inquiry reconvenes in June to consider wider issues of navigation.

Sir Gordon Willmer, a former High Court Admiralty Judge, is chairman of the five-man Board of Inquiry. Also present on the first day were observers from a large number of governments and international maritime organisations.

Eleni V spill '70% greater than first believed'

BY PAUL TAYLOR, INDUSTRIAL STAFF

ABOUT 3,500 tons of oil, 70 per cent more than first estimated, has escaped from the wreck of the Eleni V, the Trade Department disclosed yesterday.

Survey work on the tanker bow section, now held in position five and a-half miles off Lowestoft by two tugs, showed that instead of the 2,000 tons of oil thought to be on board, only 560 tons are contained in one of the vessel's forward tanks.

Mr. Stanley Clinton Davis, Trade Under-Secretary, was last night briefing local authorities on the possible alternatives for disposing of the tanker hull and its contents.

Mr. James Prior, Lowestoft MP and Opposition spokesman on employment, raised the question of the tanker's fate during Prime Minister's question time in the Commons yesterday.

Mr. Prior has described the delay in reaching a decision about the tanker as "scandalous."

On Monday, Trade Department officials met salvage experts and the tanker's Greek owners to discuss alternatives to scuttling it in the Atlantic.

This is now understood to have been ruled out because of an international convention banning dumping at sea.

The final decision as to how to dispose of the wreck is understood to have been left in the hands of the department, which is believed to be examining the prospects for pumping the remaining oil off the vessel.

They face the choice of trying to pump the oil off at sea, docking the vessel in a port before beginning pumping, or dry docking the vessel. The last option is favoured by salvage experts.

Divers have installed a compressor on the wreck to maintain buoyancy and built a shelter on the upturned hull.

● The Government intend to study further the possibilities of burning any oil remaining in a wrecked tanker, Mr. Clinton Davis said in a Commons written answer last night.

"There are, however, substantial difficulties and objections to dealing with a casualty by this method.

"On present information, it seems unlikely that we could adopt burning as our standard response to such situations."

Murphy in participation deal

BY KEVIN DONE

MURPHY PETROLEUM and Ocean Exploration yesterday signed a full State participation deal with the Department of Energy and the British National Oil Corporation.

The agreement covers in particular the companies' joint 14 per cent. share in the Ninian Field, the third largest discovered in the U.K. sector of the North Sea.

Only Imperial Chemical Industries, which holds an 18 per cent. interest in the Ninian Field, has still to sign full participation terms with the Government.

Agreement has been reached with the other 61 companies participating in North Sea exploration and development both for fields that are already being exploited and those which have imminent prospects of being developed.

It has taken the Department of Energy more than two years to complete all the deals which essentially give BNOC access to up to 51 per cent. of companies' share of crude production.

Murphy has a 7 per cent share in the Ninian Field. It also has an interest in Ocean Exploration's 7 per cent share through its 51.9 per cent stake in Ocean's parent company, Ocean Drilling and Exploration.

The agreement with the Government gives BNOC the right to purchase up to 51 per cent of the partners' crude and 51 per cent of their share of natural gas liquids.

BNOC also strengthens its voice and voting rights in the Ninian partnership, in which it already has a 21 per cent equity share.

Big rise in natural gas supplies forecast

BY RAY DAFTER, ENERGY CORRESPONDENT

SUPPLIES OF natural gas will rise by some 50 per cent over the next few years, Mr. Patrick Gallaher, president of the Institution of Gas Engineers, said yesterday.

He told the Institution's annual conference that deliveries of gas from the Frigg Field and Brent Field would help boost supplies by the early 1980s to a level some 50 per cent higher than they were last year.

On the basis of total available reserves, these supplies could be maintained at this level into the next century. It was almost inconceivable that further important discoveries would not be made.

Mr. Gallaher said that the gas industry recognised that the fuel was too good to waste and, as a result it was lending full support to the conservation of energy.

State boarding school places face shortage

By Our Education Correspondent

A WARNING of impending shortages of boarding places for pupils in State schools was given by Dr. Ewan Anderson, honorary research officer of the Boarding Schools' Assocaition, at its conference in Gloucester yesterday.

Mr. Bill Spray, the association chairman, called for an official inquiry into provision of boarding places after Dr. Anderson disclosed that the number of State boarding schools in England and Wales had fallen by 30 per cent to 102 since 1964.

Those for girls had been cut from 30 to 11, the research officer said. Seven schools closed last year, and six were likely to shut by 1980.

Schools were badly distributed geographically. Of the 104 local education authorities south of the border 69 had no facilities for boarders.

Stock dealing reforms urged

BY MARGARET REID

LESS paperwork and more use of computer techniques to solve problems of handling settlement of most business done in gilt-edged stocks feature in proposals provisionally recommended by a Stock Exchange committee.

A new office, which might be called the Central Gilts Office and jointly-run by the Stock Exchange and the Bank of England, is envisaged as the pivot of the system.

The three-man committee, headed by Mr. G. D. Burnett, says that the major problem was that "the time scale to complete settlement on a next day basis is extremely short, considering the volume of paper-work that has to be processed."

These difficulties now led to lateness in all aspects of settlement of deals in gilt-edged stock when trading was heavy.

The committee rejects the idea that payment for deals in gilts should be made a more leisurely process. "The case for next day settlement is so strong that any extension of the settlement period beyond the day after dealing is felt to be a retrograde step."

The system recommended is intended to greatly reduce the physical handling of securities by using computers for transferring title between buyer and seller.

"By utilising the bargain data collected by the Stock Exchange's central system and linking this to the register held at the Bank of England, it is possible to process and control both stock and money transfers with the minimum of participant intervention," the committee says.

"In addition to accuracy, the use of a computerised real-time system should provide the speed and flexibility which are so obviously required."

The committee, appointed in August last year will continue its investigations.

More libraries act to beat book thieves

STEALING of library books has increased so rapidly since the early 1970s that more authorities than ever are being forced to install electronic detection systems.

Up to 100 systems, costing £12,000 each, will be installed this year, the largest number since they were introduced a few years ago.

Mr. Geoff Wride, UK manager for Library Systems, the leading supplier, said yesterday that book losses could be costing between £15m. and £25m. a year. He believes Britain's libraries are facing a "strong national trend which could be permanent."

Oil 'must aid industry'

BY SUE CAMERON

INTERNATIONAL INVESTORS will lose confidence in the UK if North Sea oil revenues are turned into an excuse for a Government spending spree instead of being used to improve industrial productivity.

This warning was given yesterday at the Financial Times conference on North Sea oil and its economic impact by Mr. Alain Camu, a director of Hill Samuel, the merchant bankers.

He said the Chancellor's latest Budget had caused concern among international bankers that Britain's oil money would be put towards a pre-election spending spree instead of being used to help industry.

Bankers were not worried about Britain's political and social stability nor about her ability to repay her debts and the UK would be able to re-borrow when necessary. But the question of admittedly volatile bankers actually "investing in UK Ltd. is a different story.

"Bankers are really looking at what the UK intends to do with the North Sea oil revenues." Mr. Camu said. "I am worried that the increased revenues will not be put to proper use.

"I have not heard of an industrial or political consensus on North Sea oil being used to increase productivity. Nor have there been any indications in official policy that this will be the case.

"For the first time since the Second World War, Britain has the chance to put her house in order. I hope that national policy will stimulate industrial productivity.

"But if policy does not change then the UK will continue to muddle along and the confidence of international bankers will not be rebuilt."

SIR GEOFFREY HOWE
BNOC's roles incompatible.

"It would be a tragedy if this money were squandered and by squandering I mean the allocation of funds to the unmarketed sector instead of the marketed sector of the economy.

"We are not suffering from a shortage of savings but from a low rate of investment and a lack of propensity to invest."

Mr. Christopher Johnson, economic adviser to Lloyds Bank, said it would be better not to take any specific decisions on North Sea income at all than to be "carried away by the thought of earmarking the whole lot to some worthy but misconceived national good cause."

North Sea oil has raised the exchange rate to a level which made some parts of British industry less competitive in both home and export markets.

This should encourage British industry "to move up-market into sectors in which it can compete internationally on quality rather than on price, as has happened in Germany and Switzerland."

Fundamental

Mr. Edgar Palamountain, chairman of M and G, told the conference that "all the oil in the sea will not save Britain from the effects of a productivity level that remains" far lower than that of other countries.

North Sea oil had been a "strong bull point in the fundamental thinking of international investors" but he warned that there was now less optimism. There were three main reasons for this:

● There had been reports that either the revenues or the flow of oil might have been over-estimated.

● A number of private operators seemed to be having "strong misgivings" about the British National Oil Corporation and the Department of Energy.

● The use to which the oil revenues would be put.

"What the Chancellor has done will make international investors suspect that oil and gas revenues will be squandered by a Government less concerned with strengthening the economy than with buying boats before the next General Election," Mr. Palamountain said.

Incompatible

Sir Geoffrey Howe, the Shadow Chancellor, said that a Conservative Government would not allow the British National Oil Corporation to act as both a regulatory agency and an operating company.

The corporation's two roles were incompatible. The Conservatives accepted the need for a regulatory agency but it was their firm intention to contain BNOC and then to examine all its activities "in order to determine their relevance to the national interest."

"BNOC, of course, deserves to be congratulated for its successful management of the Thistle Field since it took on this project from Burmah nearly two years ago.

"But willingness to offer those congratulations have not prevented questioning the present Government's intention to entrust to BNOC the task of handling at least half the country's crude oil within about three years from now.

"If BNOC were to prove as many people fear the high cost operation with a low success ratio that would represent a very costly experiment from the country's point of view."

Sir Geoffrey said it would be wiser to conduct the regulatory process so as "to harness the widest range of skills from the whole of the oil industry, operating under strict and fair national control."

He stressed that the established oil companies were making a vital contribution to the successful development of North Sea oil.

It was better to recognise their role than to rely too heavily on the "newly created and relatively inexperienced state oil company which has as yet a very limited track record in the field."

Diagnosis

He accused the Government of using North Sea oil as an excuse for setting under way a national spending spree. The oil could turn out to be no more than a repeat of "other manic depressive incidents in Britain's post-war economic history."

FINANCIAL TIMES
NORTH SEA
The Economic Impact
CONFERENCE

After 25 years the country was still looking at the same diagnosis of its national condition and the same list of alternative prescriptions.

It was now clear that monetary and financial stability would continue to delude the UK so long as the markets were over-hung by "the huge potential avalanche of public sector debt."

Financiers and industrialists, both at home and abroad, were able to "avert their gaze from the spectacle of the public sector elephant as it tries to inch its way across the tightrope." The result was an unnecessary hazardous form of stop-go.

Sir Geoffrey said that what was needed was to restore the competitive diversity of the UK economy. The emphasis ought to be on inventiveness, marketing and diversity—properly rewarded. Personal taxation had to be reduced.

"We urgently need to restore the possibility of becoming rich by taking risks apart from those which arise from doing the football pools."

MR. ALAIN CAMU
World bankers are worried.

Lower personal taxation is the right way to revive economic growth and create new jobs. Tax cuts are the means of allowing the rapid accumulation of post-tax wealth by the comparatively small band of people who have the capacity to identify and exploit new commercial opportunities in service as well as manufacturing industries.

Priority

Sir Nevil Macready, managing director of Mobil Oil, stressed that the oil revenues did not represent a "vast accretion of wealth," but only 4 to 5 per cent of GNP, at most. He also said it must be remembered that the "hay ride" was not going to last all that long.

"The first priority must be to regenerate this country's industry. But let us be careful to invest in those enterprises and activities which are going to be viable in the future and will continue to generate wealth for the nation when North Sea deposits are exhausted.

"If we are to build a new Britain with the benefits of North Sea oil, it follows that the most profound thought, the most detailed policy provisions must be addressed to the problems surrounding closure of old plants and even old industries.

"We must find a way of stimulating the transfer of assets formerly concentrated in those areas into new fields where they can continue to make a real contribution after the North Sea is finished.

"Such changes in our industrial base will undoubtedly mean a considerable amount of retraining."

Sir Nevil said social services needed more money and they should have it but he emphasised the need to be "carefully selective" in spending oil revenues. Industrial investment and retraining demanded the highest priority at present.

GLC attack on plan to rebuild museum

By Christopher Dunn

GOVERNMENT PLANS to demolish and rebuild part of the Natural History Museum in Kensington, London, were severely criticised by the Greater London Council yesterday.

Mr. William Bell, chairman of the GLC's historic buildings committee, called for a public inquiry to look into the Environment Department's scheme to create extra exhibition space in the museum by developing the east wing.

But the Department said the plans had already been completely approved by all relevant bodies—including the GLC—except for minor detail.

Under the scheme, the three eastern galleries, which now house the dinosaur exhibition, are to be demolished partly, then rebuilt.

When the £3.7m scheme is completed in the early 1980s, the rebuilt section of the museum will be higher than the central hall and front wings, and have escalators.

The museum, designed by Alfred Waterhouse in the style of a gothic castle and completed in 1880, was one of London's most loved Victorian landmarks, Mr. Bell said.

"Redevelopment will completely destroy the symmetry of Waterhouse's plans."

Development study for Scottish electronics industry

FINANCIAL TIMES REPORTER

THE Scottish Development Agency has commissioned a major study of the Scottish electronics industry and its future in the international trend towards micro-processors.

The Agency announced yesterday in Glasgow that Booz Allen and Hamilton, the management consultants, has been appointed to carry out an eight-month study of the industry and its ability to switch to new trends.

The consultants will conduct research in the U.S., Europe, and the UK, to establish the areas of greatest development potential and the weaknesses of Scottish electronics companies, which are predominantly U.S.-owned and employ around 40,000.

Mr. Edward Cunningham, the agency's director of strategic planning, told a Press conference that electronics production was moving from low labour cost areas like Taiwan and Singapore closer to European markets, because research and development was leading the industry into areas requiring higher manufacturing skills and more advanced technology.

The agency hopes that it can identify through the study suitable companies which could be encouraged to invest in Scotland, and also the possibility for indigenous companies to adapt to the new technology.

The research project is the most important to be commissioned by the agency in its two-and-a-half-year life. The SDA is also embarking on detailed studies of particular industrial sectors including textiles, food processing and chemicals.

Sir William Gray, agency chairman, pointed out that the only realistic studies of specific industries within the UK have been carried out by the National Economic Development Office, and these did not break down their findings in Scottish terms.

"From our talks with U.S. companies we feel that we in Scotland have an opportunity to develop our electronics industry on the basis of future trends provided we make an early start.

"Half of our industrial development inquiries just now are coming from U.S. electronics firms.

"To pick winners we must have the best possible advice on technology, markets, products and management. This is what the study is all about.

"It will establish a basis for taking initiatives to assist companies established in Scotland to set up new enterprises or joint ventures, and to attract new investment from overseas."

£1m. capital investment by Fairey Hydraulics

By Kenneth Gooding, Industrial Correspondent

FAIREY HYDRAULICS, a key company within Fairey Engineering Holdings which was taken over by the National Enterprise Board in January, is launching a £1m capital investment programme.

The company's products include flight controls for the Tornado aircraft, one of Britain's and Europe's defence priorities, as well as controls for the Harrier and Anglo-French Jaguar fighters.

It was the strategic importance of the company that attracted the Enterprise Board, which became involved in a battle for control of Fairey Engineering after the group crashed financially last year.

The takeover has allowed the investment programme to go ahead, the company said last night.

Orders already booked, half of which are for export, would keep the company fully occupied until well into the 1980s, while negotiations for further overseas contracts had reached an advanced stage.

The company, based at Heston, Middlesex, employs about 500 people and is looking for between 40 and 50 skilled workers. It has begun a nationwide recruitment drive and has already hired personnel from Scotland.

Court told of "oversight" on £4.2m loan

A CHARTERED accountant who worked on the 1975 balance sheet of Scottish and Universal Investments accepted in court yesterday that it was "an oversight" on his part to put a £4.2m. loan to another company under cash at the bank or in hand.

He was being cross-examined at Glasgow Sheriff Court by Mr. Ranald Sutherland, QC, for Sir Hugh Fraser, vice-chairman of SUITS. Sir Hugh and five directors have denied failing to present a fair view of the company's affairs in the 1975 balance sheet.

It is alleged that the balance sheet contained an item showing £10,433,432 current assets. The charge also alleged that the accused knew the sum at the bankers did not exceed £5,500,100, and that they knew the difference of £4,233,457 was a sum lent by the company to Amalgamated Caledonian.

Mr. Sutherland asked "Did anyone at any time bring to your attention the possibility this might be a misclasification?"

Mr. John Armstrong the accountant, said: "I have no recollection of that happening." He believed the loan should have been shown separately and agreed this was the proper thing to do in accountancy practice.

Mr. Sutherland: "Were you at any time given any instructions as to how to deal with this loan in the accounts?"

Mr. Armstrong: "I have no recollection of any instructions."

Mr. Sutherland said it might be suggested in the course of the case that there was sum deliberate policy decision taken by Mr. John MacPherson, an auditor who gave evidence on Monday, to "lose" the loan in cash at the bank or in hand.

Mr. Armstrong said he had no recollection of ever receiving any instructions from Mr. MacPherson.

Mr. Sutherland: "If you had received any instructions that the loan was to be quietly lost as cash at bank or in hand, would you accept the instruction or rebel against it?"

Although the Sheriff told him he did not have to answer the question, Mr. Armstrong replied "I would have had to record some exception to it."

Before the court are Sir Hugh Fraser, Mr. James Gossman, Mr. William Forgie, Mr. Edward Gamble, Mr. Angus Grossart and Mr. Nicholas John Redmayne.

They have all denied failing to give a true and fair view of the company's affairs in the balance sheet for 1975.

Sir Hugh, Mr. Forgie, Mr. Grossart and Mr. Redmayne are also charged separately with failing to notify share transactions to the company within 14 days, contrary to the Companies Act of 1967.

Sir Hugh has admitted not informing the company of 61 share transactions involving more than 3½m shares and his plea of not guilty to the rest of the charge involving another 13½m shares has been accepted by the Crown.

Mr. Forgie, Mr. Grossart and Mr. Redmayne have denied separate charges of failing to tell the company about share dealing.

Earlier, Mr. Brian Carlow, an accountant with SUITS when the 1975 balance sheet was prepared agreed that if the accounts were prepared by experienced chartered accountants and checked by another firm of accountants, and both had knowledge of the loan, it would be reasonable to assume that any error in accounting principles would be picked up by one or both of the firms involved.

Mr. Carlow said he had no reason to believe that once the auditor knew of the existence of the loan that it would not be properly placed in the balance sheet.

Stradivarius fetches £58,000

SALEROOM
BY ANTONY THORNCROFT

A VIOLIN made by Stradivari at Cremona in 1708 sold for £58,000, plus the 10 per cent buyer's premium at Sotheby's yesterday.

It was the highest price in an auction of musical instruments which totalled £330,311.

Other high prices were £8,500 from Bingham for an ivory one-keyed flute, by Thomas Stanesby Junior in London about 1735, and £5,400 from a Japanese dealer for a late 17th-century Dutch ebony tenor recorder by Richard Haka.

In the afternoon Sarbu a private collector, paid £24,000 for a violin of 1774 by a member of the Genoese school, and Medlam £13,000 for a bass viola da gamba by Barak Norman of London. An Italian violoncello by Pasquale Ventapane of Naples, 1802, went for £10,500.

There were good prices in a sale of Continental letters and manuscripts totalling £101,838. A series of 233 letters from Napoleon to his stepson Prince Eugène de Beauharnais, his viceroy in Italy, sold for £17,000, above estimate.

An early letter by Napoleon written in 1792 about an insurrection in Corsica was bought by Otto Haas for £4,200. A rare signed letter by Lucretia Borgia, written in 1501 during the celebrations of her marriage to Alphonso, son of the Duke of Ferrara, was bought for £8,500.

At Sotheby's Belgravia there was an interesting sale of works by the Dalziel family, foremost wood-engravers and book illustrators of the 19th century. The items, from the studio of Herbert Dalziel, totalled £21,218.

A collection of Old Master drawings sent for sale by a Continental collector went for £27,845 at Christie's. The top price, £1,700, was by an anonymous bidder for "The Birth of the Virgin," by Federigo Zuccaro.

A Phillips book sale realised £26,100. Powell paid £1,900 for 40 volumes of the Repository of Arts by Ackerman. A sale of scientific instruments totalled £14,126.

A Phillips furniture sale totalled £55,940. Godson paid £2,800 for an 18th-century oak refectory table too large (14 ft x 3½ ft) to be accommodated in the saleroom and put in Phillips' entrance hall.

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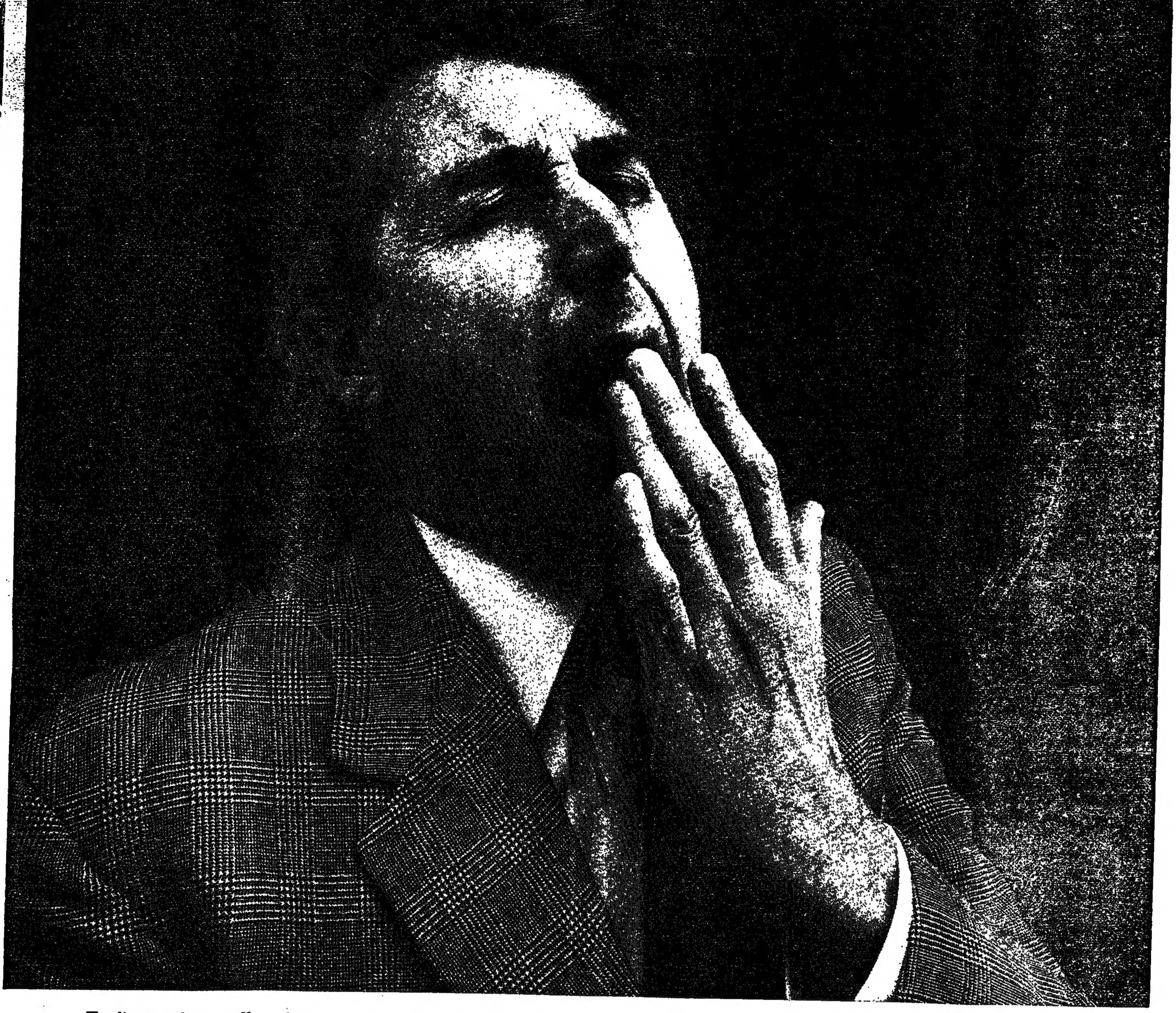

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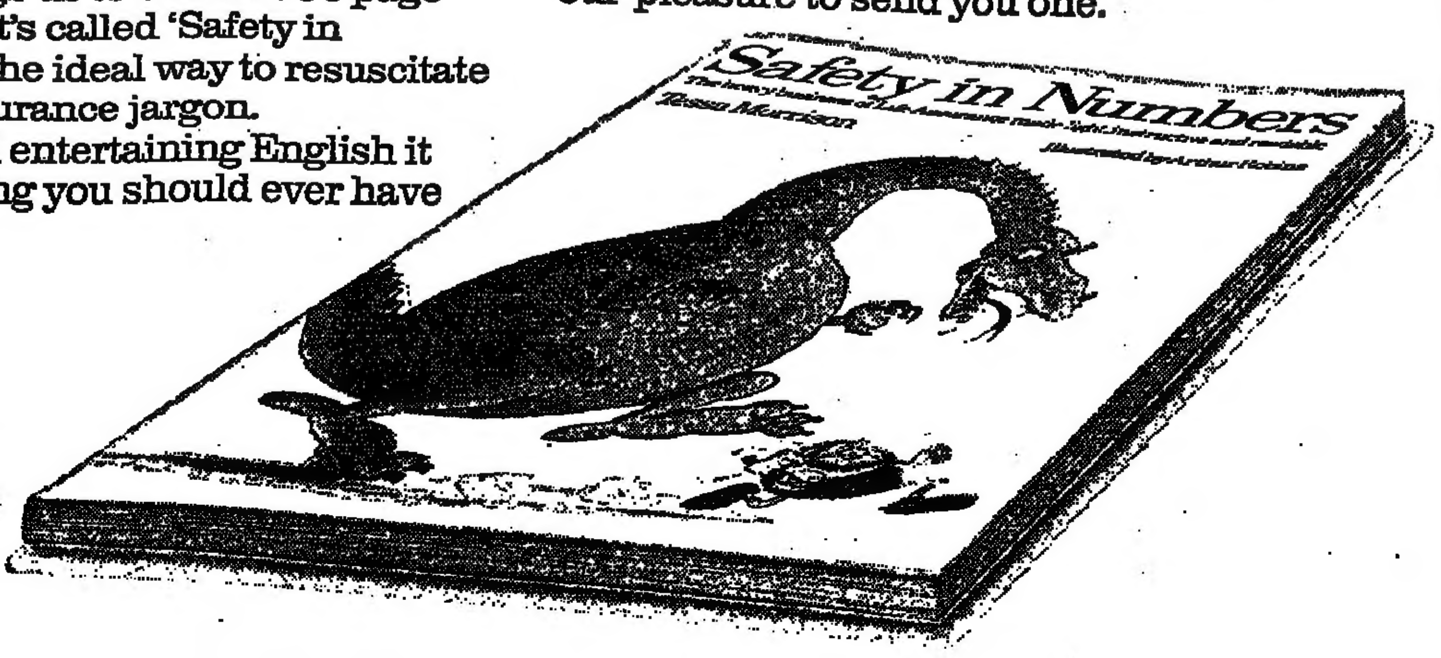

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Code for packaging industry laid down

BY JAMES McDONALD

A NEW BRITISH Packaging Council, representing the industry, consumers and environmentalists, has been formed and a code for the packaging of consumer goods has been published.

A voluntary self-regulating body, it has the blessing of the Department of Prices and Consumer Protection and, from the industry's point of view, has been created largely to forestall possible EEC legislation.

The council, with 13 members under the independent chairmanship of Lord Shepherd—former Lord Privy Seal and now chairman of the Civil Service Pay Research Unit Board — will investigate complaints from consumers or organisations as a last resort. They will act if they feel there has been no satisfaction from the retailer, the manufacturer or the relevant trade association.

As a court of last resort, the council will invite evidence and representations before making judgments.

The council, said Lord Shepherd in London yesterday, would publish an annual report referring to judgments it has delivered on inquiries and complaints. It would also use the media, if necessary, to publish interim reports.

Asked if this meant that the council would announce the names of offenders if they did not mend their ways, Lord Shepherd said: "I hope it won't come to that but if it is necessary we will do so."

Chinese boxes

The prime mover behind the establishment of the council and of the code has been INCPEN (the Industry Committee for Packaging and the Environment) formed in 1974 which comprises the main manufacturers involved in packaging, either primarily or as an adjunct to their manufactures

Mr. Christopher Chataway, chairman of the committee, said the threat of EEC legislation on packaging had been "a major factor" in bringing speedy support to the establishment of the council and of the code.

Mr. Robert Maclennan, Parliamentary Under Secretary of State for Prices and Consumer Protection, welcoming the formation of the council, said he had representations from consumer organisations expressing concern over packaging which was inconvenient and difficult to open; packaging which misled the consumer; failed to protect or conserve the contents; or was wasteful and unnecessarily raised prices, such as multiple packaging "reminiscent of Chinese boxes."

The code itself covers eight primary points. First, packaging must comply with all legal requirements. Among the other demands are: adequate protection of contents; materials which have no adverse effects on contents; no unnecessary void volume or misleading size; convenience for handling by the consumer; all relevant information presented clearly on the package; and the package itself should be designed with due regard to its possible effect on the environment, its disposal and eventual recycling.

Paper and board output down

BY MAX WILKINSON

PRODUCTION of paper and board in the UK during March showed a further serious fall of 11 per cent. compared with the previous year.

The figures, issued yesterday by the Paper and Board Industry Federation, show that production for the first quarter of the year was 7 per cent. down compared with 1977.

A bulletin from the federation said an even more disturbing trend was the rise in imports, whose market share edged above 47 per cent. in January and February combined for the first time since 1974.

The federation points out, however, that the first five months of 1977 were relatively good compared with the rest of the year, when demand started to level out. Consequently it expects the comparison with 1977 figures to show an improvement during the next few months.

The federation also says the situation may have looked worse in March because the Easter holiday fell earlier this year.

In spite of the disappointing start to the year, Mr. John Adams, the federation's director, said in London yesterday that last year the UK paper and board makers reported higher profits than their competitors elsewhere in Europe, although "that is not saying that we made a good profit."

The U.K. industry's advantage of being able to obtain relatively cheap pulp is now beginning to fade. The strengthening of the pound some time ago and the worldwide surplus of pulp stocks helped to reduce pulp prices in the U.K., but the federation says that prices are hardening as the pound weakens.

Cortina delivery delays lengthen

BY STUART ALEXANDER

DELIVERY DELAYS on Britain's best-selling car have lengthened to between five and six months.

Customers demanding personal choice of colour and trim may have to wait at least this long for the Ford Cortina, as demand has outstripped the company's ability to supply.

Those wanting power steering could wait even longer, as supplies have been hit by a strike

Only the Fiesta is available relatively freely from Ford.

British Leyland, however, can offer immediate delivery on the Mini, Allegro, Marina (except the Estate where there can be a six-week wait), Princess 1800, and Dolomite.

Wait for Daimlers

Delays on the Rover 2600 are up to four weeks and up to three months on the 2300 and 3500. Jaguar saloon deliveries can be made within 10 weeks and the XJS in six weeks. But there is a six-month wait for Daimlers.

Chrysler, too, can offer most Sunbeam, Alpine and Avenger models in four to six weeks and Vauxhall quote immediate delivery for many models with a maximum of eight weeks for models in limited demand.

Fiat said yesterday that delivery on none of its models should be more than six weeks. In some parts of the country many were available from stock.

● Motorists ordering the Daihatsu four-wheel drive could take delivery within four hours and a Jeep within 12 hours, Mr. Christopher Tennant, managing director of Jeep U.K., said yesterday.

More employees benefit from medical insurance

BY ERIC SHORT

MORE EMPLOYERS are setting up medical insurance schemes to enable employees to receive private hospital treatment without cost. The position is disclosed by the latest membership figures of the three major medical insurance agencies—British United Provident Association, Private Patients Plan and Western Provident Association—for the first three months of this year.

The companies, who account for more than 98 per cent. of the medical insurance market, all report substantial increases in group membership, continuing last year's trend after a period when growth was static as a consequence of pay policy limitations. More than 11,000 new members were admitted on company schemes.

Employers are setting up schemes for employees where the premiums are paid entirely by the employer. They are supported by employees even though such benefit counts as part of the 10 per cent. pay limit.

The agencies say that more employers are making schemes available to all employees rather than only senior and middle management.

The number of individual subscribers was still falling by almost 5,000—in the first three months of this year, a trend that has been seen for seven years.

The rising costs of private medical hospital treatment, because of inflation, has meant that contributions have risen and many people have had to end their membership.

However, Western Provident, the smallest of the three agencies, reports increased membership over the first quarter.

It said last week that it was keeping its rates unchanged for the next 12 months, had no plans for increases before 1980 and hoped that this will encourage more individuals to take out medical insurance.

The net result is that overall membership rose by 7,000 in the first three months. All three companies are looking to the company market for future growth.

Private Patients Plan introduced its new plan for company schemes last week, and British United Provident introduced a scheme for small companies last November. Western Provident tends to deal with each company on an individual basis.

MEMBERSHIP CHANGES FIRST QUARTER 1978

	Individual end-Mar.	Individual end-Dec.	Individual change	Group end-Mar.	Group end-Dec.	Group change	Total end-Mar.	Total end-Dec.	Total change
BUPA	335,195	338,859	−3,664	486,503	478,461	+8,042	821,698	817,320	+4,378
PPP	121,815	123,413	−1,598	84,608	82,619	+1,989	206,423	206,032	+ 391
WPA	12,806	12,142	+ 664	23,526	21,909	+1,617	36,332	34,051	+2,281
Total	469,816	474,414	−4,598	594,637	582,989	+11,648	1,064,453	1,057,403	+7,050

Survey shows 13.4 per cent rise in frozen food sales

BY OUR CONSUMER AFFAIRS CORRESPONDENT

FROZEN FOOD sales increased in volume last year but the rise was smaller than in 1976, according to the latest survey of the industry carried out by the Unilever subsidiary, Birds Eye.

Last year, the industry's turnover rose by 13.4 per cent. to £703m. and the company predicts a £1,250m sales level by the early 1980s.

Mr. Kenneth Webb, chairman of Birds Eye Foods, said the industry was in "surprisingly good shape" and said that there were grounds for optimism.

He said, however, that sales growth would not necessarily be matched by profits rise. The average profitability of all food manufacturers had fallen last year and Birds Eye's own performance "had suffered a setback."

There had been a drop in disposable income, a decline in the real value of food purchased and severe problems for the industry as a result of the vegetable glut in the second half of the year.

Within the overall increase of 13.4 per cent in frozen food sales, the biggest increase was in purchases by owners of home freezers. These rose 32.4 per cent. to £240m last year.

The multiple supermarket chains increased their share of the frozen food market by 1 per cent. last year to 40 per cent., while specialist freezer chains like Bejam, pushed their share up from 16 per cent. in 1976 to 18 per cent.

Coinciding with the publication yesterday of the latest data on the frozen food market, Birds Eye also released the findings of a new survey into housewives' attitude to food prices and nutrition.

More than half those interviewed blamed Britain's membership of the Common Market for rising food prices. One in five blamed the trade unions for food price inflation.

British Caledonian plea goes to Dell next week

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH CALEDONIAN, the UK "second force" flag airline, intends to appeal to Mr. Edmund Dell, Secretary for Trade, next week against the granting of the London-Los Angeles route licence to Laker Airways.

Laker was given the route—and British Caledonian's licence on it rescinded—by the Civil Aviation Authority after a public hearing in London of the two airlines' cases.

Laker intends to start flying in September, subject to confirmation of the licence award by the Secretary for Trade, using a Skytrain-type no-frills service at a one-way fare of £84 westbound.

British Caledonian, however, has said that it can undercut this by offering its Stand-By fare of £69 single. It would also offer a 24-hour advance purchase "Bottom Dollar" fare of £89.

It has held the Los Angeles licence for some years, but stopped flying the route in 1974, when it went through a difficult patch economically. It is now back in profit—it earned more than £9.5m last year

Manx cuts income tax

THE ISLE OF MAN is to raise personal income tax allowances by 25 per cent, increase the family income supplement above that in the rest of the UK, and cut the standard rate of income tax.

While the ½ per cent cut in the standard rate of income tax to 21 per cent is small in cash terms—costing about £180,000 in the year—it represents a switch in fiscal policy.

It is aimed at attracting new business to the island.

Ship fire—Swan Hunter criticised

By Paul Taylor, Industrial Staff

SWAN HUNTER Shipbuilders and sub-contractors Telemeter Installations had "inadequate" safety checks and procedures in September 1976 when a fire aboard the warship Glasgow killed eight shipyard workers, a report published by the Health and Safety Executive said yesterday.

The fire started in a confined space on the lowest deck of Glasgow, being built for the Navy in Swan Hunter's Neptune Yard at Newcastle.

It was caused by using welding equipment in an enriched oxygen atmosphere, itself the result of an undetected oxygen pipe leak.

The report accuses Swan Hunter and Telemeter of not ensuring the men knew of the risks of oxygen and the precautions that needed to be taken.

Swan Hunter, the report says, had established an organisation for achieving healthy and safe working conditions but safety standards "were not consistently achieved" and the company's own instructions "were not adequately monitored."

Telemeter's general statement on safety was "an inadequate document" which did not contain any indication of the organisation or arrangements for carying out safety policy.

Leaked

The accident happened on September 23, 1976, as the men began work. Oxygen had leaked for several hours from a hose down into a compartment on the lower deck. The last known user of the oxygen hose most likely to have been the source of the leak, says the report, "was an employee of Telemeter Installations, although he stated that he disconnected it from the supply on the previous evening."

According to Swan Hunter's safe operating procedures no hose should have been left below decks and should certainly not have been connected. Before the fire, the men missed three critical danger signs which indicated that the air contained too much oxygen.

To prevent similar accidents, the report urges the provision of means of escape for workmen during ship construction.

Among its main recommendations, it suggests that Swan Hunter, now part of the nationalised British Shipbuilders, should introduce a system to monitor precautions on the use of gases.

Shipbuilders should ensure that as little combustible material as possible is kept below decks and should examine the use of alternative welding equipment.

The report also recommends considering giving oxygen a distinctive smell, as in Germany.

Commenting on the report yesterday, Swan Hunter said it felt it took every safety precaution.

The company said the report acknowledged the difficulties of providing absolute safety on ships under construction and the "substantial" steps taken by the company to ensure "all the duties owed not only to its own employees but also to those employed by others were met."

Telemeter could not be contacted for comments yesterday.

The fire on HMS Glasgow, 23 September, 1976, SO, £2.75.

● NEWS ANALYSIS—NUCLEAR FUEL

Way clear at Windscale

BY DAVID FISHLOCK, SCIENCE EDITOR

PARLIAMENT'S ENDORSEMENT of the main recommendation of the Parker report on Windscale—namely, that "outline planning permission should be granted without delay"—clears the way for British Nuclear Fuels to concentrate once again on some formidable technical and commercial problems.

For a while at least environmental considerations have been put to one side by what the Government has called the longest and most thorough investigation of a project by any country.

The thermal oxide re-processing plant, the £600m chemical factory for treating spent fuel, which the company plans to build at Windscale, ranks high among the most adventurous engineering projects to be found in Europe.

Entombed within massive concrete walls will be an all-stainless plant designed for remote control and maintenance; two plants, in fact, each of 600 tonnes-a-year throughput, to give the company extra operational security

The most adventurous part of the plant will not be ready for ten years at least. This is the part which takes the hot, highly radio-active acid waste from re-processing and converts it by glass-making techniques into ingots about 3 metres long and half-a-metre in diameter.

Before the company is ready to build this part of the re-processing plant it will want to try out its technology both on a "hot" pilot plant and full-scale in a mock-up that simulates everything but the radio-activity.

Mr. Jack Tatlock, the engineer who takes much of the credit for the success of the company's gas centrifuge project, will be responsible for the construction of the re-processing plant.

His first job is to build two big storage ponds, 25 ft deep with 5 ft thick concrete walls, to store the spent fuel flowing in steadily from British and foreign nuclear stations. Here, under water, it will "cool" for a few years until its radio-activity is less likely to interfere too seriously with the chemistry of the reprocessing plant

These two covered ponds, costing upwards of £100m, should be started in about two years' time. When ready they will be able to hold safely some 3,000 tonnes of fuel—five years' throughput for the re-processing plant.

Construction of the chemical plant itself may not begin before 1982-83, says Mr. Tatlock. By then the company expects to have a contractors' work force of 1,500-1,700 on the Windscale site. Meanwhile it is equipping itself with ships which can bring 50 tonnes of fuel per trip into Barrow, for transfer by rail to the nuclear factory.

Down payment

Parliament's approval on Monday authorises Mr. Con Allday, chief executive of British Nuclear Fuels, to clinch contracts for re-processing worth about £900m.

Most highly publicised are the contracts with Japanese electrical utilities, for 1,600 tonnes of fuel during the 1980s. These contracts involve a substantial down-payment towards the capital cost of the reprocessing plant, and in addition are "cost-plus" to safeguard the company against unforeseen technical hiccups.

Mr. Allday will also be re-negotiating overseas contracts already signed for another 1,100 tonnes of fuel, originally undertaken for a fixed price, but which will now cost the customers about ten times as much. The company was unable to re-negotiate these contracts until it was sure that it would be building the re-processing plant.

At home, says Mr. Allday, he will be pressing the electricity supply industry for more precise estimates of its re-processing needs for the next decade.

If, as he expects, these are roughly 3,000 tonnes during the 1980s, he will have spare capacity—at 600 tonnes per annum—for perhaps 400 tonnes during the 1980s. This he will "offer as bait" to the overseas utilities whose contracts he now wants to renegotiate.

One thing that three years of debate about Windscale and its plans to import spent fuel have made clear is that safety *per se* need not be a serious worry. Seven safety issues were raised before, and rejected, by Mr. Justice Parker.

In Monday's debate both Mr. Peter Shore, Environmental Secretary, and Mr. Anthony Wedgwood Benn, Energy Secretary, referred to proliferation as an issue less readily dismissed. Mr. Shore made the Government's first reference to international plans for storing plutonium—a nuclear fuel but also a nuclear explosive — separated from the reprocessed fuel.

He raised hopes that an international scheme would be worked out for management and storage of plutonium. One of the first international plutonium stores could well be the heavily guarded bunker at the heart of Windscale, where Britain's stockpile is already stored.

Mr. Allday said yesterday that the company, in drafting its new contracts, had already anticipated that such a system of plutonium safeguards might come into force. His contracts stipulated that British Nuclear Fuels shall retain the plutonium for at least five years. But the terms are flexible enough to accommodate international storage arrangements without need to rewrite the terms.

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Britons in Zaire 'not harmed'

THE Government has had no reports of harm to British subjects in Zaire, following the reported invasion across the southern borders, Dr. David Owen, the Foreign Secretary, said yesterday.

In a Commons statement, Dr. Owen said that the Government was cooperating with other countries with communities in the area of the fighting, Shaba Province, to ensure the safety of the British community.

The total number of British and Commonwealth citizens in Shaba was believed to be 171, including 24 in the town of Kolwezi, which is reported to have been taken by the invaders.

Dr. Owen said that President Kaunda of Zambia had promised to give every facility to evacuated British subjects.

Some dependants had already been flown out from a mining community and more were due to follow them to-day.

The invasion was a very serious development in Africa but there was no evidence of Cuban involvement, although there were 20,000 Cuban troops in Angola.

Conservative spokesman Mr. Richard Luce said that the Opposition would support any action taken by the Government to protect British subjects in the area affected.

Answering questioners, Dr. Owen said it was idle to maintain that there was no danger of the attacking forces being supported by other forces.

It was vital to watch the situation closely to see that it did not escalate into a very serious armed struggle.

He urged MPs to look at the issue in its historical perspective. There was a danger of the kind of adventurism seen in other parts of Africa.

But there were roots involved in the whole question of Katanga, and which went back deep into history.

Tories call for indexation of capital gains tax

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AN ATTEMPT to index capital gains tax so that people would no longer have to pay it on the "paper profits" which result from inflation, was mounted in the Commons last night by the Conservatives, during the Committee stage of the Finance Bill.

Mr. Nigel Lawson, a Tory front bench Treasury spokesman, said, "We have the opportunity to remove from the statute book a wealth tax which is masquerading as a capital gains tax.

"It is a tax with a higher incidence than the Swedish wealth tax. It falls in a capricious and undesirable way, contrary to any justice and contrary to the economic needs of the country."

The Tories were pressing a new clause to introduce an indexation system which would tie capital gains tax to the increase in the retail price index.

They argued that this would mean that the tax would only be paid on real gains and not the spurious gains created by inflation.

Mr. Lawson estimated that the Tory proposal would cost £300m in a full year. There would be no cost in the present financial year as the tax on this year's gains would not be levied until the next financial year began.

His estimate was disputed by Mr. Denzil Davies, Minister of State in the Treasury, who said the cost would be £350m in a full year. Mr. Davies estimated that £480m was brought in by the capital gains tax in total, when corporation tax on capital gains was included in the figure.

He maintains that the new clause proposed by the Opposition was "hopelessly defective."

Mr. Lawson said that if we had to have capital gains tax then it should be levied on real gains, not paper ones.

He recalled that one of the Treasury ministers had recently said that, out of £390m. levied by the tax in a year, £350m. resulted from inflation. That meant that only 10 per cent derived from genuine capital gains.

He was interrupted by Mr. Ron Thomas (Lab., Bristol NW) who protested that the Conservatives seemed to be suggesting that a £350m. handout should be given to the wealthier section of society.

But Mr. Lawson retorted: "What we are concerned about here is justice."

He quoted a letter sent to him by a small shopkeeper who bought his business for £10,000 and seven years later, when he sold for £34,000, had to pay £5,000 in capital gains.

Mr. Lawson said that a consultation document from the Inland Revenue had pointed out the difficulty of deciding on a suitable index. Mr. Lawson saw no problem in employing the retail price index for this purpose.

The document had also foreseen difficulties in writing down the cost of a wasting asset, such as a lease. Mr. Lawson suggested that this could be dealt with under the existing system.

He thought that the Inland Revenue had exaggerated the difficulties of indexation, particularly in the case of investment trusts and unit trusts.

The Conservative spokesman maintained that the budget proposals to reduce the incidence of tax were a "damp squib." It did not nearly meet the amount of tax wrongly taken from the taxpayer as a result of inflation.

From the Government front bench, Mr. Davies protested that Mr. Lawson had still not told the House where the revenue would come from to make up for the lost tax. The Tories were merely putting off that problem until next year.

He told the House: "If one goes down the road of indexation one has to index across the board and then one is back in the same situation as before. No one benefits from it at the end.

"Indexation addresses itself to the symptoms of inflation. It is not the cure. It is a kind of painkiller and like all painkillers it gives you the false illusion that the disease has been cured.

"Indexation is a dangerous thing. It draws attention away from the real problem of inflation.

"It is not just and right that we should introduce a measure to protect one group from inflation when other groups would not be so protected by the tax system."

He objected that the new clause said nothing about the problem of part disposals or the problem of pooling of shares.

Peers revive proposal for fewer Scots MPs

BY IVOR OWEN, PARLIAMENTARY STAFF

TORY PEERS angered the Government in the House of Lords last night by reviving the proposal that, once a Scottish Assembly is established in Edinburgh, a Speaker's conference should be convened to consider reducing the number of Scottish MPs in the Commons.

A similar proposal has already been rejected on three separate occasions by the Commons. Lord McCluskey, Solicitor-General for Scotland, spoke in unusually forceful terms in urging peers not to bring the matter forward again.

"This is a matter on which this undemocratic House should not lecture the democratic Chamber," he declared.

But he failed to deter Tory peers who secured a nine-vote majority for an amendment writing a new clause into the Scotland Bill stating that a Speaker's conference "may" be appointed at the request of the Prime Minister not less than six months and not more than 12 months after the first meeting of the Scottish Assembly.

Lord McCluskey reaffirmed the Government's commitment to maintaining the present number of Scottish MPs, pointing out that the over-representation of Scotland in the Commons on a strictly per capita basis was a continuing obligation stemming from the Treaty of Union signed in 1707.

"If this is not a recipe for breaking up the UK I don't know what is," he said.

Lord McCluskey accused supporters of the clause of using nonsensical arguments, some of which had made him wonder whether he was listening to them being advanced in some kind of asylum.

Lord Campbell of Croy, from the Opposition front bench, underlined the permissive structure of the new clause and said it had been so designed because of the "delicacy" of the issues involved.

He insisted that Tory peers had no desire to "lecture" the Commons at all. But by including the new clause in the Bill, further consideration of a possible reduction in the number of Scottish MPs in the Commons would be assured.

The amendment embodying the new clause was carried by 102 votes to 93.

The Government will clearly seek to delete it from the Bill when the Lords' amendments are considered by the Commons.

Women's hospital debate refused

MR. GEOFFREY FINSBERG (C Hampstead) today said that attempts would be made to block all Government business until there was a debate on the closure, announced yesterday, of the Elizabeth Garrett Anderson Hospital.

He said that he and Camden's other MPs, Mrs. Lena Jeger (Lab Holborn and St Pancras S) and Mr. Jock Stallard (Lab St Pancras N) were united about the closure.

But a request which he made yesterday for an emergency debate on it was refused by Mr. George Thomas, the Speaker.

After saying that attempts would be made to block Government business, he said that similar tactics had been followed by Mr. George Cunningham (Lab Islington S) in his campaign on the cancer unit at St. Mark's, Paddington.

Government business managers had eventually had to give in.

There had been a breach of faith about yesterday's announcement as the three MPs had been promised they would be told before any announcement was made. They had not been.

The offer to move the hospital to the Whittington District Hospital was spurious. The Whittington did not want the Elizabeth Garrett Anderson.

Mr. Bob Mellish (Lab Bermondsey) complained that Mr. David Ennals, the Social Services Secretary, had not had "the courtesy to come and listen."

The hospital—named after Britain's first woman doctor—is one of only two hospitals in Britain where women patients can be treated by women doctors.

Patients and staff have been campaigning for four years to prevent its closure.

● The Government has no intention of closing or fundamentally changing the role of any of the London teaching hospitals in the near future, peers were told yesterday.

Government health spokesman Lord Wells-Pestell said Mr. Ennals had just launched a study of long-term hospital provision in Inner London, taking into account the continuing fall in the residential population and the need to support medical teaching.

However, it was too soon to forecast what the outcome would be.

Lord Greenhill of Harrow had asked for a statement to allay the anxiety about the teaching role of Kings College Hospital, caused by recent Press reports commenting on the reduced budget for 1978 to 1979 of the Lambeth, Southwark and Lewisham Area Health Authority (Teaching).

Lord Wells-Pestell said: "As far as Kings College Hospital is concerned, it is well sited in relation to the population it serves and there is no intention in the near future to change its location or its role."

Labour faces Manchester by-election

BY RUPERT CORNWELL, LOBBY STAFF

Mr. Frank Hatton

THE death yesterday of Mr. Frank Hatton, Labour MP for Manchester Moss Side, faces the Prime Minister with the prospect of another finely poised by-election, which could have a crucial bearing on the timing of the next general election.

Mr. Hatton, who died at 56 after a long illness, won the seat at a by-election in June, 1973, and retained it at the 1974 general elections with a majority of 4,111 votes.

To triumph this time, the Conservatives require a swing of some 6.4 per cent, a figure in line with the lead which recent by-elections suggest they enjoy.

Failure, therefore, at Moss Side would be a big disappointment for the Tory leadership, and a nasty blow to morale before the election.

For Labour, too, the result will be of great importance. To hold the seat would be further evidence of the steady recovery in the party's electoral fortunes this year.

But if it loses, Mr. Callaghan will have another strong reason to delay going to the country beyond October, the present most likely date.

Mr. Hatton's death reduces the Government's strength in the Commons to 306, and puts it in a minority of 17 to all the Opposition parties combined. However, the backing of the 13 Liberal MPs means Mr. Callaghan is safe in any vote of confidence.

The next by-election to be held will be at Hamilton in Scotland on May 31, where Labour will be delighted if it fends off a powerful challenge from the Scottish Nationalists.

The timing of the Moss-Side contest will be tricky for the Prime Minister. Apart from holiday considerations, to postpone it until beyond July would invite the risk of a bad result not long before a possible general election in the autumn.

General election result October, 1974:

Hatton E. (Lab)	15,212
Lee J. (Con)	11,101
Wallace W. (Lib)	5,696

Labour majority 4,111.

Rural bus survey ready in 3 years

BY LYNTON McLAIN

A SURVEY of rural bus service needs in Britain will be finished in three years, the National Bus Company told a Commons select committee yesterday.

Under the Market Analysis Project, studies have already been carried out in Hereford and the Midlands and the results used to design new rural bus routes.

The latest surveys, which are going through "very rapidly," will involve three teams covering three areas each week, according to Sir Frederick Wood, chairman of the committee.

"They will try to define networks which will serve rural communities and operate within the funds available from fares or supplemented by guaranteed amounts of revenue support from local authorities.

The National Bus Company operates 3,700 buses from 290 depots and garages in English and Welsh towns and villages with a population of under 20,000.

The company said yesterday that only two of the 18 rural comunity projects given in evidence to the Commons committee were viable, and one of these was operated by unpaid voluntary drivers.

Where professional drivers were used, total costs in all but one case would be very much greater than total revenue.

The difference between cost and revenue met from public funds was high in relation to the number of passengers using the service.

The Market Analysis Project in Hereford, however, had led to off-peak rural "midibus" services which were now viable after integration with the existing bus services.

Complaint on pay policies

A PRIVATE Member's Bill to stop any Government using its purchasing power to enforce its policies was introduced in the Commons yesterday.

But the measure—the Government Contracts Bill, sponsored by Mr. John Cope (C Gloucestershire S), has no chance of becoming law.

Labour MPs did not bother to oppose it as there is not enough time for it to complete is remaining stages in the present session.

Mr. Cope told MPs that the immediate example he had in mind was the enforcement of the "so-called voluntary pay policy."

But the Bill covered any sort of discrimination.

Reduced imports urged

BY IVOR OWEN, PARLIAMENTARY STAFF

ALL-ROUND co-operation in seeking a voluntary cutback in Britain's import bill was urged by the Prime Minister in the Commons yesterday.

He suggested that "buy British, make British and sell British" should be the theme of a new import-saving drive.

After speaking on Britain's considerable propensity to import, Mr. Callaghan underlined the important role which could be played by the Confederation of British Industry in bringing the interests of suppliers and customers much more closely together.

Mr. Terry Walker (Lab. Kingswood), many of whose constituents work for British Aircraft Corporation, urged him to ensure that British Airways took account of the need to buy British in deciding the next stage of its aircraft procurement programme.

Mr. Callaghan pointed out that one of the complications in what was undoubtedly a natural instinct to buy British was the conflicting interests of British Airways, British Aerospace and Rolls-Royce.

The Government was giving careful consideration to all the issues involved and he hoped that an answer would be produced in due course which would best meet national needs and safeguard a good many jobs.

In a new clash with Tory MPs over forces pay, the Prime Minister denied that the Government had sought to discourage servicemen's wives campaigning to secure a better deal for their husbands.

He recalled that, during a recent visit to Plymouth, he received a deputation from the wives of Royal Navy personnel and had had a very full discussion with them.

Mr. Nicholas Ridley (Con. Cirencester and Tewkesbury), who alleged that the Government had tried to stop servicemen's wives protesting about the low level of pay in the forces, also attacked the staging of recent public sector pay deals over a period of years.

He called on Mr. Callaghan to stop issuing post-dated cheques "drawn on the next Tory Government."

Mr. Callaghan retorted: "We shall be here to redeem all the cheques that are issued."

Every part of the community, including the services.

BRITAIN'S arms sales to Iran were also defended by the Prime Minister.

"Iran has on her northern border a most powerful and heavily armed neighbour," Mr. Callaghan reminded Mr. Tom Litterick (Lab, Selly Oak) who was complaining about the level of arms sales to the Shah.

"There has been an uprising in her Eastern neighbour," Mr. Callaghan said. "Iran is, therefore, very properly concerned about her own security."

Tories attack NEB

By John Elliott, Industrial Editor

AN ATTACK on the National Enterprise Board's decision to increase its stake in Brown Boveri Kent, the process equipment manufacturer, was launched last night by Mr. Norman Lamont the Conservative spokesman on industry.

Mr. Lamont described the Board's decision to increase its stake in the company to 20 per cent. as "misconceived" because it did not fit in with the Board's aims of restructuring industry or providing jobs.

"There is something fundamentally wrong with the NEB gambling with taxpayers' money" he said, adding that he would be writing to Sir Leslie Murphy, the Board's chairman, asking for an explanation.

Political competence of MPs queried

WOULD MPs pass the test of "political competence" which has been proposed for 11-16-year-olds, Miss Janet Fookes (C. Plymouth Drake) asked the Commons yesterday.

"What is meant by the expression 'political competence,' and would we all pass the test?" she said.

Mrs. Shirley Williams, Education Secretary, said she was tempted to reply but had no wish to insult the House.

Mr. David Knox (C Leek) had asked what action Mrs Williams was taking to persuade schools to include political competence in the curriculum, as suggested in working papers by the Inspectorate.

Mrs. Williams said she supported study of our political institutions but it was for local education authorities and schools themselves to decide whether or not to adopt the suggestions.

Her department had sought information on steps which authorities had taken to help schools promote the development of pupils' understanding of contemporary, economic, social and political life.

Mr. Knox said that most schools were failing to give children a political education.

While not wishing to indoctrinate children, such an education was essential if they were to have a well-informed and responsible democracy.

Mrs. Williams said she hoped schools would look at the working papers. Agreement between politcal parties in 1973 under the aegis of the Hansard Society, had set out some very useful ways of teaching politics.

Public school choice

AMID Tory jeers in the Commons yesterday, Mr. Bruce Grocott, (Lab., Lichfield and Tamworth) called for public schools to be incorporated into the comprehensive education system.

"Taking into account the fact that 62 out of 74 High Court judges, the overwhelming majority of leading industrialists, civil servants, diplomats, newspapermen, militarymen and some 211 out of 282 Tory MPs all went to public schools, isn't it time we scrapped the system and gave all our children an equal chance?" he asked.

Mr. John Stokes (C. Halesowen and Stourbridge) accused Mr. Grocott of wanting to abolish everything that was good in England.

The country needed a spirit of leadership and service which the public schools provided.

Miss Margaret Jackson, Education Under-Secretary, who told Mr. Grocott there were no present plans to scrap the public school system, said the country was already getting leadership and service from the Labour Party.

New audit committee

By Our Parliamentary Staff

MR. PETER SHORE, the Environment Secretary, last night announced the setting up of a new advisory committee on local government audit.

In a Commons written answer, Mr. Shore said the new body's terms of reference would include considering the annual report of the Chief Inspector of Audit and any questions arising from it of general public interest or concern.

The committee will have an independent chairman, three independent members, and five members from nominees provided by the local authority associations and the GLC.

Appeal to accountants

By Our Parliamentary Staff

MR. EDMUND DELL, the Trade Secretary, yesterday called for a prompt response from the accountancy profession to the recommendations of a joint committee appointed by the accountancy bodies to consider the Cross Committee's proposals.

In a Commons written answer, Mr. Dell said the joint committee was to be congratulated on the speed and thoroughness with which they had done their work.

The recommendations required careful consideration by all concerned, but he was sure the profession would "respond promptly and responsibly to the very significant lead which the report has given."

LABOUR NEWS

Professional civil servants give Phase 4 warning

BY PHILIP BASSETT, LABOUR STAFF, IN EASTBOURNE

PROFESSIONAL CIVIL servants yesterday pledged their opposition to any fourth phase of incomes policy which did not apply equally and effectively to both public and private sectors.

Lord Peart, Lord Privy Seal, told the annual conference of the Institution of Professional Civil Servants in Eastbourne that the Civil Service unions generally, and the Institution in particular, had acted responsibly "in showing great understanding of the Government's endeavours to solve our economic problems."

The decision to oppose incomes policy by the traditionally conservative Institution, which up to now has supported Government guidelines on pay, means that three-quarters of civil servants are now formally opposed to some for mof Phase Four and that a clash over public sector pay in the next round looks inevitable.

Mr. Brian Bickerdike, for the union's executive committee, said that civil servants had not been fairly paid since 1975. "Since then, on the matter of pay we have been deliberately and callously discriminated against."

The wage bill for civil service manual workers had risen by 31.7 per cent from 1975 to April 1977, but the bill for scientific officers had gone up in the same period by only 14.3 per cent.

"We must resolve that never again will be passively accept the double dealings over pay that have been inflicted on us in the past three years."

The conference unanimously opposed the introduction of cash limits as pay curbs and carried a demand for the findings of the pay research unit to be implemented in full in the 1979 settlement.

Guarantees that the unit would not be interferred with were also demanded by the conference.

Mr. Cliff Crook, for the executive, said that the Civil Service would not tolerate any interference in the unit. "To try to interfere with it again would militate the greatest action the public sector has ever seen."

Lord Peart told the conference that the fair comparisons principle as the basis of pay determination was "irreplaceable." Fair comparison protected taxpayers and produced an efficient Civil Service.

He promised scientists "a fair deal" when they re-entered pay research settlement in 1980 and said it was particularly important that their pay was right.

Allowance

The service had faced the prospect of enforced redundancies of the sort that other industries had suffered, but the target date for cuts had now passed. Promotion rates in the service had declined but long-term career prospects had not ben harmed.

The conference called for the London weighting allowance to be increased and stipulated that it should not be a part of any pay settlment.

A motion to press the Government completely to reappraise its dispersal programme for civil servants was carried overwhelmingly.

● Mr. Tom McKeon, president of the Inland Revenue Staff Federation, told the union's annual conference in Scarborough yesterday that only a great deal of goodwill from the Government and the Treasury would enable co-operation from union members on Budget work and departmental reorganisation to continue.

Boilermakers' chiefs face merger attack

BY ALAN PIKE, LABOUR CORRESPONDENT, IN TENBY

LEADERS OF the Boilermakers' Amalgamation face a tough fight tomorrow, to prevent delegates to thei rnational conference killing hopes of a merger with the General and Municipal Workers' Union.

The executive, which wants to continue amalgamation talks opened last year, faces criticism from delegates who do not regard the union as a suitable partner for the craft-based boilermakers' group.

Mr. David Basnett, general secretary of the General Municipal Workers' Union will address the Tenby conference before a decision is taken. A merger with the Boilermakers would provide his union with a valuable core of skilled workers and make it by far the most important grouping in shipbuilding.

Of 15 original motions tabled for tomorrow's debate ,only two give qualified support for the merger. Many reject any suggestion of joining Mr. Basnett's union, and urge a merger with the Amalgamated Union of Engineering Workers and other craft unions in the engineering industry.

One composite motion says that amalgamation with any union other than the latter would "eventually mean suicide."

Leaders of the Engineering Workers' Union, at present in merger talks with the Electrical and Plumbing Trades Union, were concerned when the boilermakers' group began talks with the General and Municipal Workers' Union.

The Engineering Workers' Union has made a general amalgamation appeal throughout th eengineering industry and if the merger proposal is rejected by delegates tomorrow, it can be xpected to step up approaches to the boilermakers.

Interests

Mr. John Hepplewhite, chairman of the Boilermakers' Amalgamation executive, told the conference yesterday that the future of the trade union movement would best be served by amalgamation.

The discussions with the General and Municipal Workers' Union were in the best interests of members and the movement. "It is my sincere hope that when reported to you in the course of this week, these discussions will receive the endorsement of conference."

One motion, however, describes the General and Municipal Workers' Union membership as predominantly general workers—"for example gas workers, dustbin men, road sweepers and other local council workers"—with rates of pay and conditions far below those enjoyed by Boilermakers members.

By comparison, says the motion, all work by the Engineering Workers' Union was "kindred to our work," with boilermakers working alongside members of its engineering section in shipyards and engineering shops, its construction section of site work and its white collar section in drawing offices.

Mr. Hepplewhite said that to stand a chance of coming through the bleak period facing shipbuilding, Britain must demonstrate to the world that it had the best skills and most versatile labour force.

"That means we must go for the highest standards of quality in our workmanship and that we put our backs into the job—that if we make a deal, we stick by it and deliver on time."

Bank strike postponed

A ONE-DAY strike planned for today by clearing bank members of the National Union of Bank Employees in Jersey has been postponed for a week to allow further negotiations with the banks.

The dispute is over a demand by Channel Islands' clearing bank staff for negotiating rights separate from mainland agreements.

Police seek big rise 'to halt the exodus'

By Pauline Clark, Labour Staff

MR. JAMES JARDINE, chairman of the 100,000-strong Police Federation, said yesterday that the federation was looking for a "very substantial" increase in pay from the Edumund Davies Committee inquiry, to arrest a continued high loss of manpower from the force.

Mr. Jardine said police were still leaving the force at the rate of 20 a day after the loss of 5,000 in England and Wales last year. He blamed "inadequate pay, coupled with a sense of despair that the situation will ever change."

He told the federation conference in Blackpool that he was treating pay and the independent inquiry under Lord Edmund Davies as highest priority because the outcome would largely determine if the police service could carry on fighting the war against crime.

The police looked to the committee, expected to report shortly, not only for a substantial increase but for proposals to ensure the advantages were not whittled away, as in past experience.

They would also look for immediate implementation of the Government pledge to accept the committee's findings, which Mr. Jardine said was in the agreement reached when police decided to accept a Phase Three rise last autumn. Negotiating machinery coming out of the report must guarantee the integrity of pay scales in future.

'Convenience flag' ships opposed by seamen's union

BY OUR OWN CORRESPONDENT

THE SEAMEN'S union is to pursue a policy to stop flags of convenience ships and the use of cheap foreign labour in the British sector of the North Sea.

The decision was taken at the annual conference of the National Union of Seamen in Aberdeen yesterday.

The delegates also voted to press for the exclusive employment of British seamen in all foreign flag vessels working out of UK ports.

Mr. Harry Bygate, Aberdeen branch secretary, said that flags of convenience supply vessels were undercutting national flag ships and sailing in and out of Scottish ports unhindered.

Not only Liberian and Panamanian, but also American and Canadian boats should be considered flag of convenience vessels when they paid less than the going rate in their own countries.

The oil industry had added to the old problems. Appeals should be made to the Merchant Navy officers, engineers, and the Transport and General Workers' Union, which could make the greatest contribution by not servicing the flag of convenience boats.

In addition Government appointments should not use flag of convenience vessels, Mr. Bygate said.

Delegates also agreed to take all necessary steps to halt the use of cheap foreign labour on offshore installations in the British sector of the North Sea.

Mr. Bygate said that most jobs in the North Sea could be filled from among the unemployed

Against platform advice that it would discriminate against union organised foreign ships, delegates also passed a motion to press for exclusive employment of British seamen in all foreign flag vessels working from British ports

Warned

In another move, delegates instructed their officials on the negotiating panel of the National Maritime Board to return to free collective bargaining.

But Mr. Jim Slater, the General Secretary, said several times that he would not negotiate "confetti money" although he wanted the end of wage restraints.

The conference also agreed to seek a harmonisation of European wage rates for all EEC seafarers, but threw out a motion for industrial action to achieve European parity.

Referring to free collective bargaining, Mr. Slater said: "What we have got to do is to negotiate for money that is going to buy something in the shops. Anything that we obtain for our members has to be of value and we are not going to obtain confetti money."

Bid for Grunwick survey continues

BY OUR LABOUR EDITOR

IN SPITE of its latest rebuff from Mr. George Ward, managing director of the London film-processing company Grunwick, the Advisory, Conciliation and Arbitration Service is to continue to try and survey workers there about union recognition.

Bound by law to pursue a recognition reference from the Association of Professional, Executive, Clerical and Computer Staff, ACAS could now consider interviewing workers outside the factory.

Mr. Ward refused in a letter to ACAS yesterday a request to distribute questionnaires under the supervision of Grunwick solicitors.

He said that in the present climate of "anxiety, fear or deep dislike" for trade unions and ACAS, such a survey could have "ruinous consequences" for the company's industrial relations.

His reply, the latest chapter in a 23-month saga which has involved the Law Lords and a Court of Inquiry, revived complaints by Labour MPs yesterday that the Government was not doing enough to support proposed changes in the law that would compel Grunwick to co-operate.

Mr. Ward said in his letter to Mr. Jim Mortimer, ACAS chairman, that the employees did not want their names and addresses given to ACAS and wanted no further survey.

He referred to the "truly incredible situation relating to the proposed ballot. "I am not able to tell our employees either how many are participating in this ballot, or what percentage will constitute victory or defeat for APEX."

ACAS' council, including employers, union leaders and academics, will consider the Service's plan for breaking the deadlock next month.

Fortnightly 'dole' plan attacked again

THE Civil and Public Services Association said yesterday that it would continue its fight against a scheme to pay unemployment benefit fortnightly.

The statement came after a Commons written reply in which Mr. Albert Booth, Employment Secretary, said that the Government planned to continue a pilot scheme.

The association said: "While disappointed that the Government has not abandoned its plans, we are pleased to hear that those plans have been postponed and we will challenge the continuation in the pilot offices.

"We are still deeply concerned at the effect on the unemployed if the scheme is finally introduced, as well as at the loss of 1,000 jobs in the benefit service and repercussions in the Post Office by the reduction in the use of postal facilities and Giro."

NUPE seeks merger talks

BY OUR LABOUR STAFF

THE 650,000 member National Union of Public Employees has decided to approcah the 200,000 strong Confederation of Health Service Employees for merger talks.

NUPE's annual conference in Margate agreed yesterday to launch a campaign for the formation of one union for 4,500,000 public service workers. Mr. Alan Fisher, the union's general secretary, backed the principle of one union for one industry.

Union delegates urged a more forceful campaign against public expenditure cuts. They also agreed not to ban members of the National Front from the union.

Leyland strike call backed

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BRITISH LEYLAND toolmakers at Longbridge, Birmingham, who are seeking new negotiating rights to improve their status and differentials, voted yesterday to support a one-day unofficial strike on June 12 called by the toolmakers' committee.

Only 30 of the 900 toolmakers at the plant voted against the strike. Most were prepared to stage an all-out stoppage if necessary.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● BANKING

End of cheque in sight

RESULTS OF a pilot scheme in progress at two branches of the Clydesdale Bank suggest that its project for computerising on a more ambitious scale than any other British or U.S. clearing bank will be an unqualified success.

Even the remotest of the bank's 368 branches will be put on-line to the main centre. This is but one of the unusual features of the Autobank project. A single plastic card will give each customer a passport to all services, including over-the-counter transactions. A communications network covering the whole of Scotland will use 16 Sperry Univac V77 minicomputers installed at seven regional centres and the Glasgow head office.

Very compact and low-cost terminals have been purpose designed for Clydesdale by Fortronic, a small independent Scottish company, which will supply 1,500 of them. Lion Systems Developments, another British company, has supplied communications equipment with similar characteristics. Total project cost will be substantially lower than that of any other scheme with the same scope.

At the Kinross branch, one of the pilot sites, the Autobank card already obviates the writing of cheques or paying in slips. After handing his card to a teller, who identifies its holder to the system by passing it through the terminal's magnetic stripe reader, the customer keys in his secret number on a small device his side of the counter. The teller then enters the customer's account number, transaction type and cash analysis by note/coin denomination on the terminal's keyboard.

Following an automatic check, the terminal prints duplicate records on its tally roll. The teller hands one copy to the customer and returns his card. During entries, transaction detail appears on a one-line visual display.

Complete transaction detail is logged on disc by the regional V77 computer and can be accessed by terminal at any time for cash reconciliation. Disc file content is, in turn, transmitted from all regions to tapes on the central minicomputers. The tapes are then moved by hand to an NCR Century mainframe for batch processing during the night.

Low-cost hardware has allowed elaborate fail-safe precautions. Disc file detail is swopped continuously by the pairs of regional V77s and, in case of breakdown, one automatically services all terminals. A spare terminal, PO modem and dial-up facilities will provide back-up at every branch. A facility that may be unique allows the entire network to be monitored and workloads to be adjusted via a VDU at head office.

● MATERIALS

Protects furnace walls

"MARTI-PADS" are simple lightweight squares of angled strip fibre which are stuck on to furnace walls with a cement bond and greatly improve furnace efficiencies.

"Marti Modules" are self-supporting square panels which can be used for walls, floors and roofs in new furnace design.

The pads are made in standard thicknesses from 25mm to 150mm and measure 300mm square. They are backed with a sturdy adhesive paper which keeps the strips in position. Fixing cement is applied to the exposed face and the paper wrapper burns off in the furnace heat. They can be used to repair brickwork which has cracked or deteriorated and applied to new brickwork to reduce heat loss and improve efficiency. For example, fuel savings of 14.9 per cent have been achieved from a 50mm layer of ceramic fibre on an intermittent pottery kiln.

Modules are made from angle strips placed on the hot face and fixed with an adhesive cement to a centre insulation matrix of Cofax insulating material. Behind this strong but highly insulating core is a backing of mineral wool and the unit is framed in a metal case which provides rigidity and fixing points. Each panel can be bolted to the next or a run of panels can be threaded on a metal rod and tightened from the end point.

Roof systems are simple to suspend from light steel supports and "S" hangers, or welded rods. Standard panels are 610mm x 610mm square with an overall thickness of 175mm and their weight of 27kg enables them to be handled by one man. Larger panels 1066mm x 610mm are also made with intermediate sizes to suit all applications.

Burner ports and flue outlets can be precast into position before delivery, but if necessary, the lightweight nature of the material allows for easy cutting or shaping on site.

Combustion Linings, Port Street, Burslem, Stoke-on-Trent Staffs., ST6 3PF. 0782 88275.

Seven air field trucks like the one shown here are to be supplied by Chubb Fire Security to the Schipol Airport Authority, Amsterdam. The vehicles will all be based on chassis developed by Reynolds Boughton of Winkleigh, Devon. Designed to carry a crew of three at speeds up to 100 kph each of the 22.4 tonnes vehicles will carry 6,800 litres of water, 900 litres of foam liquid and much other fire-fighting equipment. Foam can be developed at 28,000 litres per minute. A Boughton 260 hp power take-off unit mounted between the engine and the transmission will drive the fire pump irrespective of the road speed. Delivery of the first vehicle is due in July.

● COMPUTERS

Retreat of big machines

DURING THE past year, the trend in replacing general purpose computers in the medium range with systems based on increasingly powerful minis continued. However, Pedder Associates (PAL) points out in its latest review of the U.K. scene, the trend slowed somewhat since at the end of the year the installed base of general purpose machines was 4,633 against 4,688, but 4,898 at the end of 1975.

While the total value of such equipment rose to £1.77bn. from £1.5bn. a year before, it nevertheless declined in proportion to the total value of installations from 66 to 63.9 per cent.

IBM's share of the market rose to better than 39 per cent. or over 2 per cent. up while ICL's share dropped to 35.4 from 37.7 per cent. But, PAL points out, not too much should be read into this apparent reverse for the latter since deliveries of the large 2900 machines were only getting into their stride towards the end of the period reviewed. At the same time, IBM figures have to be estimated. PAL indicates that the competition represented by Itel and Amdahl—aimed solely at IBM—will intensify and could be joined by other companies. These might include CDC and Hitachi/Fujitsu/Siemens.

On minicomputers, PAL says that to establish precise figures is difficult if only because suppliers themselves do not always know how much product they have in the market. One thing is clear, however, and that is the activity in this sector since there are now 182 suppliers against 161 a year before. The market growth in 1977 was 29 per cent. against 36 and 32 per cent. previously.

End-year figures were over 20,000 against 15,526 at end-76 and 11,406 at end-75.

Market leader by a long head was DEC with over 5,600 installations, followed by Data General with 2,502, CAI with 1,826 and Texas with 1,000 on the U.S.-controlled side. The U.K.'s white hopes were GEC with 1,685, Ferranti with 957 and Digico with 778.

The picture changes considerably if the value of the installations is considered with DEC at 28 per cent. of the total; Data General-6.1; CAI-2.3; Texas-1.8; but GEC-17; Ferranti-10.8; and Digico-1 per cent.

Small business systems worth less than £20,000 increased to 12,675 over the year, a rise of 28 per cent. For those between £20,000 and £75,000, generally based on powerful minis with a large amount of disc capacity, the rise was a spectacular 58 per cent to 4,375.

Further information from Pedder Associates, 51 Portland Road, Kingston upon Thames, Surrey KT1 2SH. 01-549 9211.

Four more machines

BURROUGHS has released four new models in its B 68000 Series of large-scale computer systems. The new systems are the B 6808, B 6812, B 6818 and B 6822. Central processors on the new B 6800 systems have high-speed instruction micrologic and new 16K circuits in both main and ancillary memory, thus providing increased performance. The single processor B 6812 and dual processor B 6822 employ optimised memory access logic which enables them to provide 25 per cent additional performance over the B 6808 and B 6818, respectively.

Combination of advanced central processor micrologic and the advanced memory subsystem with its reduced read access time of 300 nanoseconds provides performance improvements ranging up to 40 per cent over earlier B 6800 systems.

The new B 6800s will offer increased reliability and ease of maintenance by incorporating fewer components, individual power supplies, and interchangeable circuit boards in the memory subsystem.

Networks can be built of up to four central processors, four input/output processors, 15.7m bytes of directly addressable memory, and up to 16 data communications processors servicing 4,096 separate lines.

Burroughs, Heathrow House, Cranford, Hounslow, Middlesex TW5 9OL. 01-759 6522.

● INSTRUMENTS

Heat indicated digitally

JOINING what is now becoming a somewhat crowded market-place for electronic digital thermometers are the LTD800 series from Lenton Thermal Designs and a new model from Anwill Instrument company.

The Lenton models use integrated circuits to give a low component count and good battery life, the power consumption being a little over 40 mA. Designed for a variety of thermocouples and resistance probes, the thermometer can cover the range—150 to +1750degC. The thermocouple instruments are supplied complete with a naked bead probe and have full automatic cold junction compensation. Lenton is on 0533 76712.

For all gas, liquid and surface temperature measurements, a similar instrument from Anwill offers a range of plug-in couples for specialised applications and the total range covered is —273 to +1999degC, with an accuracy of 0.25 per cent. Finger-tip control allows either true temperature or the difference from ambient temperature to be read. Anwill is on 0254 886555.

Gauges flow accurately

THE DIAMOND shaped Annubar flow sensor made by Dieterich Standard Corporation in the U.S. and now available in the U.K. from AEP-International is described by the company as offering "a major improvement" in accuracy and repeatability in the long term: one per cent and 0.1 per cent respectively.

The sensor consists of a diamond sectioned bar with two measuring apertures that produce a differential pressure with the axis of the bar at right angles to the flow. This can be made to actuate transmitter or gauge.

Non-constricting in design, the device produces a lower permanent pressure loss than many primary flow sensors—only five per cent. of that induced by most orifice plates. Energy savings can therefore be achieved.

Installation costs are claimed to be low, with minimum setting up, welding and cleaning-up time. There is even a valved version, the Flo-Tap Annubar, that allows installation without shutting down the system. The sensor can then be easily removed for range changing and for easy pigging and flushing.

More from Norris Road, Staines, Middlesex (Staines 57571).

● HEATING

Warmth from the floor

THE ROMANS first introduced underfloor heating to Britain nearly 2,000 years ago and despite a brief revival of interest a few years past, the system seems to have become unfavoured recently, at least in the U.K. This does not appear to be the case on the Continent where one company alone has installed over 70,000 systems over the last ten years.

Because of the present continuing demand for high levels of environmental comfort coupled with strict economy in energy consumption—twin objectives of the Multibeton system, says the company—the Swiss maker feels the time is right to penetrate the British market with an underfloor heating system for industrial, commercial and domestic use.

It is a low temperature system under which hot water from any suitable source is distributed through flexible pipe laid in the floor, and has a separate coil layout for each room, the various systems being connected to suitably located multi-tapping manifolds—one for flow and one for return.

The success feature of the system, says the company, is the selection of pipe material based on a temperature-stabilised polypropylene. Standard pipe, with outside diameter of 17 mm, can be easily formed into the desired configurations, including U-bends, by following the company's recommended procedure.

Another important factor, says the maker, is the screed into which the pipe is embedded. Special additives are incorporated in the screed to improve strength and increase conductivity for a more uniform temperature distribution on the surface. The screed is laid on a 20 mm. insulation layer on which the pipe rests and, with a floor covering 5 to 10 mm. thick, the total thickness of insulation, screed and topping, need be no more than about 100 mm.

The British subsidiary, Multibeton (U.K.) is headquartered at 2, Bamborough Gardens, London, W.12.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● HANDLING

No stress when lifting

LIFTING articulated electric railcars for Britain's first "Metro" rapid transit system is a problem which has been solved by the Tyne and Wear Passenger Transport Executive's test centre using a set of six Matterson railway jacks.

These have been installed in the centre's workshop near Shiremoor where, for the past three years, two prototype Metrocars have been undergoing proving trials and operating as mobile test-beds for a number of different railcar components—many of which have been introduced by British manufacturers for subsequent sale to overseas tramcar and rapid transit system manufacturers and operators.

Although initially planned to be part of the routine maintenance equipment, the jacks have also proved to be invaluable in enabling these components to be quickly and easily removed for replacement or inspection.

When the Metrocars were first planned, designers gave special attention to the problems of lifting, for although many components are accessible from a workshop inspection pit, only the smaller items could be safely removed by lowering them into the pit. For larger components such as compressors, and particularly for the three bogies, the 39 tonne, 28 metre long cars would have to be raised above track level.

Overhead cranes for this purpose were ruled out because of the length of the cars and the articulation vestibule in the centre of the unit—as well as the high cost of building a specially strengthened test workshop with only a limited life requirement. The solution was provided by installing a set of six remote controlled jacks, each with a 10 tonne lifting capacity, around the inspection pit. By positioning a pair of jacks at each end of the car with a further pair close to the articulation point, the complete unit could be lifted without imposing any major bending or twisting stress on the body frame or on the centre bogie mounting.

Matterson, Healey Works, POB31, Rochdale OL12 6LP. 0706 49321.

Lower cost operation

BUSINESS computing at an unprecedentedly low cost can run on a system developed by Star Computer Group for the Mael 2000 microcomputer, retailing at £12,500, inclusive of application software. It is available on lease at £250 a month.

This is, says Star, some £3,000 to £4,000 cheaper than equivalent systems currently available and offers a series of applications/packages that handle order entry, stock control, invoicing, sales, purchase and nominal ledger accounting, together with payroll.

Up to 48K bytes of true user memory are available in addition to peripheral buffer memories. Addressing may be arranged in 8, 16 or 24-bits. Sixteen peripheral input/output channels are provided including communications and printing interface facilities.

A dual intensity, non-glare, twelve-inch cathode ray tube of 1024 5 x 7 dot matrix characters has top and bottom lines of 32 characters to indicate job title and machine status respectively. Between them are 15 "scrolling" lines of 64 characters for data.

Output on printer is by use of the Mael 160 cps matrix serial unit. The high quality 5 x 9 dot matrix characters are at 10 to the inch and at six lines per inch and will provide up to four clear copies.

The dual diskettes are each of 252,928 bytes arranged as 76 tracks of 26 sectors. Track to track access time is 10 ms and read/write times 273 ms and 440 ms respectively. Data is transferred from disc to buffer at a rate of 250K bytes per second and from buffer to processor at 10K bytes per second.

Star Computer Group, Threeways House, 40, Clipstone Street, London W1D 7EA. 01 637 9741.

COMPANY NOTICES

NOTICE TO BONDHOLDERS

ENSO-GUTZEIT OSAKEYHTIO $ US 20,000,000

9¾% 1975/1982 Guaranteed Bonds

Pursuant to provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased for the Purchase Fund during the twelve-month period from May 5, 1977 to May 4, 1978.

Amount outstanding: $US 20,000,000.

May 17, 1978

ENSO-GUTZEIT OSAKEYHTIO

BAYER AKTIENGESELLSCHAFT

The Annual General Meeting of Bayer Aktiengesellschaft will be held on 27th June, 1978 at Cologne. Payment of a 12% dividend for the year ended 1977 will be proposed.

Copies of the Company's Annual Report for 1977 in German will be available from:—

Hambros Bank Limited,
Hill Samuel & Co. Limited,
Kleinwort, Benson Limited
and
S. G. Warburg & Co. Ltd.

The report in English is in the course of preparation. ... United Kingdom Shareholders who wish to attend and vote at the Annual General Meeting should by 19th June, 1978 inform:— S. G. WARBURG & CO. LTD., Coupon Department, St. Albans House, Goldsmith Street, London EC2P 2DL who will make the necessary arrangements on their behalf.

17th May, 1978. BAYER AKTIENGESELLSCHAFT.

C. T. BOWRING & CO. LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books will be CLOSED from the 1st June, 1978 to 21st June, 1978, both dates inclusive, for the preparation and payment of the interest on the 5½% Convertible Unsecured Loan Stock 1981, and 10½% Convertible Unsecured Loan Stock 1987.

By Order of the Board, KENNETH M. HALL, Secretary.

Registered Address: The Bowring Building, Tower Place, London, E.C.3.

TELEFONAKTIEBOLAGET LM ERICSSON (LM Ericsson Telephone Company)

The Annual General Meeting of the Company will be held at the Stockholm Fair Building, Mässvägen 1, Älvsjö, Stockholm, at 4.00 p.m. on Tuesday, 6th June, 1978.

The following items will be on the agenda for the Meeting:

1. To elect a chairman for the Meeting;
2. To approve the voting list;
3. To confirm that the Meeting has been properly called;
4. To elect two persons to check the minutes of the Meeting;
5. To present the Annual Report and the Auditors' Report;
6. To present the consolidated accounts and the Auditors' Report on the Group;
7. To approve the Profit and Loss Statement and the Balance Sheet, and the consolidated Profit and Loss Statement and the consolidated Balance Sheet;
8. To discharge the Members of the Board and the Managing Director from liability;
9. To determine the appropriation of the profits, provided the Balance Sheet is approved;
10. To fix the date of payment of the dividend declared;
11. To determine the numbers of Members of the Board and Deputies;
12. To determine the fees payable to the Members of the Board and the Auditors;
13. To elect Members of the Board and Deputy Members;
14. To elect Auditors and Deputy Auditors;
15. To decide on any other business which according to the Companies Act 1975 shall be dealt with at the Meeting.

Shareholders intending to participate in the Annual General Meeting must be entered as shareholders in the Share Register kept by Värdepapperscentralen VPC AB (Securities Register Centre) not later than 26th May, 1978.

Shareholders whose shares are registered in the name of an Agent must re-register the shares temporarily in their own names in order to participate in the Meeting.

In addition to the above-mentioned requirements, shareholders shall give notice of attendance to the headquarters of the Company at Telefonplan S-126 25 Stockholm between 10.00 a.m. and 4.00 p.m. daily, not later than Thursday, 1st June, 1978, at 4.00 p.m.

Any person desiring to participate in the Meeting as proxy on behalf of a shareholder at the Meeting must produce a dated Power of Attorney before being allowed to do so.

THE BOARD OF DIRECTORS

17th May, 1978.

EXHIBITIONS

BUXTON ANTIQUES FAIR, Pavilion Gardens, Buxton, May 13-20 Dly. (Inc. Sun.) 11.30-9 p.m.

ART GALLERIES

SLOANE STREET GALLERIES, 158 Sloane St., W.1. Modern paintings, sculptures, and graphics by interesting international artists. Wide range of prices. Tues.-Fri. 10.00-5.00. Sats. 10.00-1.00.

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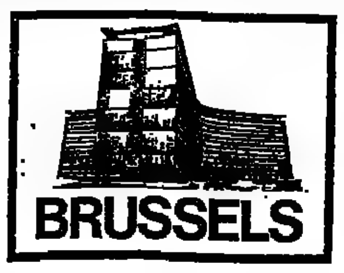
The Management Page

EDITED BY CHRISTOPHER LORENZ

When idealism comes face to face with Community reality

Eyes on the stratosphere and feet in the mud

BY IAN HARGREAVES



FOR pro-Europeans in both main British political parties, the harmonisation of domestic and Community law—which has dominated the U.K.'s first five years of EEC membership—has pitted one practical challenge after another against their ideological commitment.

Nowhere has this tension been more evident than in transport policy, and no individual has felt the strain of it more wearily than Mr. William Rodgers, who moved into the Callaghan Cabinet as Transport Secretary in September 1976.

Just three months later, with the advent of Britain's six months term of presidency, he was chairman of the council of European transport ministers, and advocating a leap forward into far wider policy-making spheres than the endless negotiations over such mundane matters as Britain's obduracy over the tachograph law for lorries.

As he told a meeting of pro-Europeans in Britain: "Frankly, many of the participants in past discussions of European transport policy have had their feet stuck in the mud, while their eyes were fixed on the stratosphere."

Not much more than a year later, Mr. Rodgers' shoes are scarcely visible. He is about to be put in the dock of the European Court over the tachograph disagreement, and none of his attempts to widen the framework of debate has met with an ounce of response. All very galling for one of the Cabinet's staunchest Europeans.

The latest, if not the last, straw was last month's eleventh-hour decision by Mr. Kurt Gscheidle, the West German Transport Minister, to pull out of bilateral transport talks in London because of domestic political demands on his time. The meeting is, in fact, being re-arranged, but its perfunctory postponement was seen by Mr. Rodgers as another reminder of the difference in importance attached to top level policy talks.

An attempt early in the Rodgers chairmanship to get an informal EEC transport summit of all ministers in London was even more abruptly dismissed, through a combination of straight uninterest and French argument that the concept of such an informal summit was unconstitutional.

Although frustrated and disappointed, Mr. Rodgers says that his fundamental convictions in favour of the Market have not wavered. But he is concerned that as a pro-European, he has been unable to demonstrate in practice to the British public that the Community constitutes a dynamic force for rolling back entrenched nationalist positions on matters of international significance. "The danger is that Britain's achievement in transport matters will simply be seen as lorries and coaches with tachographs, miles changed into kilometres and 40-tonne maximum vehicle weights."

He does not swell the chorus of criticism against Brussels bureaucracy—a bureaucracy he takes to be no better and no worse than other civil service machines. Nor does he blame the Treaty of Rome and its ground-rule of harmonised trading rules as the basis of fair competition. He simply feels that ministers have allowed themselves to be harnessed inside the tram-lines of harmonisation for its own sake while failing to exploit the spirit of the treaty. This argument is at the bottom of his position on tachographs—an issue which manifestly bores him — although his actual strategy has depended chiefly on trade union pressures.

He argues that the second fundamental of the Rome Treaty is liberalisation of trade within the Community. "The U.K. is more liberal than other members and it is ironic that the most liberal country should be in the dock for not harmonising."

The list of issues which the Community's transport ministers have failed to discuss is very long. Energy, environment and public expenditure are three examples which in reality lie behind virtually every national policy decision on transport. The Community, Mr. Rodgers feels, should be co-operating on alternative transport modes and seeking maximum co-operation between the different national railways, for example.

He is in effect, seeking to debate, the objectives of EEC transport policy. Other transport ministers see this as yet another back door attempt by Britain to renegotiate the Treaty.

There are specific procedural changes which Mr. Rodgers believes would improve the situation. He would like to see the Council of Ministers meet much more frequently than its present twice or three times a year, and for those meetings to involve adequate periods of debate on well-prepared papers, rather than the present system of abrupt assent or dissent following the rehearsal of prepared positions.

William Rodgers—Minister for Transport—he is about to be put in the dock of the European Court over a tachograph disagreement.

He also wants ministers to accept a role in ensuring enforcement of the regulations which they approve, in order to overcome the objections of many in the British transport industries that some countries —notably France—couple strict legalism with cavalier disregard for rules once enacted.

He does feel that direct elections and the strengthening of the European Parliament may jolt the ministerial councils into more profound thought and and more effective action, but is not optimistic about the pace of change.

Many of these frustrations are merely what one would expect from a British politician of Mr. Rodgers' type. An intellectual with a passionate antipathy towards disorganised thinking or disorganised administration, he has a Benthamite political mind schooled in the debating traditions of the House of Commons. "Always ask the question Why," he tends to say.

But Mr. Rodgers insists he is talking about much more than a clash of style. Applying his experience of Community transport policy to wider questions, he is firmly convinced that the EEC can and should come up with a programme to deal with the problem of structural unemployment in Europe. "In my view, the Community will live or die by its ability to solve problems of this kind," he says.

Finding out if the message is coming over loud and clear

WHEN Stone-Platt, the engineering group, wanted to find out just how good its internal communications were, the Board decided that the last people it should ask were the senior managers. As Edward Smalley, the chief executive, puts it: "If you ask them they will tell you everything is wonderful and that we and they are good at communications."

The Board also realised that if the company management were to go around asking the shop floor the same question it was not only very likely to get biased answers, but the questions would raise suspicions about management's motives.

Unlike sales, profits or market share, an efficiency-minded company cannot objectively assess "communication" from the inside, which is why Stone-Platt called in Metra Oxford, the management consultants, to conduct an impartial audit and to make recommendations.

According to Smalley, Stone-Platt wanted to know: "whether we were telling people the right things, whether we were telling people the things they wanted and needed to know; whether there was a free flow of information in both directions; and whether our arrangements were consistent with good industrial practice and making the practice match the theory."

Metra's verdict on its performance was "six out of ten," says Smalley. One of the problems in assessing something as nebulous and intangible as communications in a group like Stone-Platt is its divergence of size, products and locations.

Stone-Platt has 20 plants in the U.K., from Glasgow to Bognor Regis, in units employing between 50 and 1,500 people, making anything from ships' propellors to airconditioning for trains. Although almost all the manual workers are unionised there is no central bargaining, and among white collar staff there are varying degrees of unionisation.

The head office only employs 40 people and the group is divided into five divisions. The head office provides personnel services as well as the setting and monitoring of objectives and performance. But otherwise each division is responsible for the running of its own business.

Scepticism

With such a varied and decentralised organisation there was likely to be a great divergence in the nature of communication throughout the group. And as Smalley admits: "There was a good deal of scepticism as to whether anything would emerge."

Metra considered that communications in three of the five divisions were broadly satisfactory. In the fourth, the pumps division, Metra found a good deal of room for improvement. In the fifth, a fairly recent acquisition of a family firm, communications were described as being "virtually non-existant."

Perhaps the most significant finding was that the biggest gap in communications affected junior management and supervisors. They were, as often as not having to ask the shop floor what was happening in internal negotiation meetings. Another area where Metra found concern was from people who learned about new orders from the Press rather than from inside the company.

It also found, from talking to staff, that Stone-Platt was better at communications in manufacturing and finance than in the technical and R&D field, as well as in marketing. There was also a feeling that communications between marketing, engineering and manufacturing needed improving—a point which Smalley admits caused some surprise.

The management consultants made two other major points on communications within Stone-Platt: one that it tended to communicate the bad news rather than any good news, and second that although communication between the centre and the divisions was good, decisions often did not percolate downwards within these divisions.

William Keyser, a director of Metra, who was involved in the study, comments that in two of the divisions structure was the biggest inhibition to communication.

This was clearly true for the pump division, Haywood Tyler. The arrival last year of a new divisional chairman, Derrick Willingham, has resulted in both a re-organisation of the company as well as the implementation of a number of ideas to improve communications.

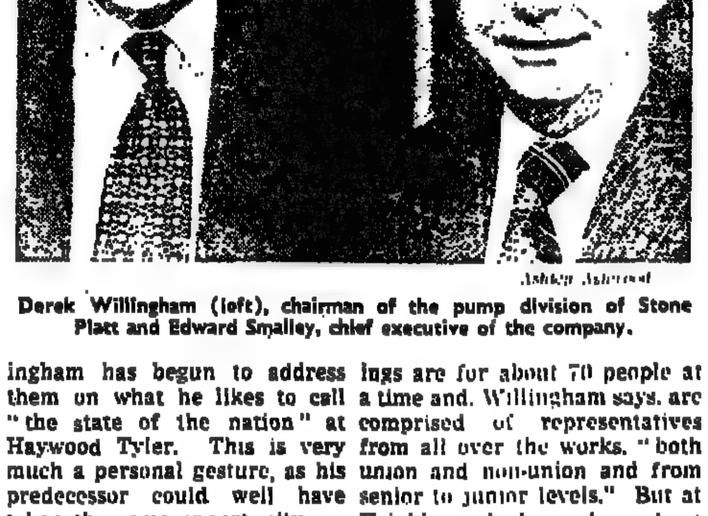
Willingham took over the division just after Metra had given it the label of being one of the problem areas in communication at Stone-Platt. Fortunately Willingham himself is a communicative man and he says the report "confirmed my previous views."

Reorganisation

He inherited a group making three different types of pumps in three separate locations in the U.K. and a number of others in North America, Europe and South Africa. He describes the old structure as a "three-headed monster," with such problems as having one sales force for three different products and markets based at Luton, the site of its biggest factory. The result was that some people were wearing two hats or that others were answerable to two or more people.

The reorganisation has put the lines of command and responsibility into a readily recognisable form. The pump division has been divided into three businesses in the U.K., each headed by a general manager running "profit responsible" management teams. The three businesses, producing different products are based at different locations, although certain functions such as engineering — responsibility for overall technical quality, design and new products — remain on a divisional level.

Willingham has also introduced a number of direct methods to try to improve communications. One of the first was to take advantage of an independent semi-social club organised by senior and middle management which had been going for about five years. Somewhat self-consciously called the "Maniacs' Club," it often discusses serious subjects and Willingham has begun to address them on what he likes to call "the state of the nation" at Haywood Tyler. This is very much a personal gesture, as his predecessor could well have taken the same opportunity.



Ashley Ashwood

Derek Willingham (left), chairman of the pump division of Stone Platt and Edward Smalley, chief executive of the company.

On a more formal basis, he has set up "communications meetings" which are held throughout the division. At Luton, where the company has around 700 employees, the meetings are for about 70 people at a time and, Willingham says, are comprised of representatives from all over the works, "both union and non-union and from senior to junior levels." But at Keighley, which employs about 150 people making Sumo water pumps, "We call everybody together and I just stand on a soap box."

Regular meetings are held with foremen — "Rather a neglected breed"—and if there are any negotiations going on with the unions or there is an announcement being made to the shop stewards the foremen are briefed at the same time.

And the division now has its own house magazine, published every two months and mailed directly to each employee's home.

Willingham says there is still plenty of room for improvement: "I would like to get more instantaneous feedback at lower levels of the sort of things they are worrying about." For instance, he says, "We need to know much more quickly when wrong rumours are flying about."

As John Raimes, Stone-Platt's group personnel director, explains, the company is seeking a constant imrovement, rather than a dramatic jump.

One of the most beneficial effects of Metra's study, says Edward Smalley, was that "it focused attention on the subject and made senior management more aware of communications."

For those who have doubts about the value of such an exercise the last word must go to John Raimes: "The more the employees are told the more they are involved with the company."

Jason Crisp

BUSINESS PROBLEMS BY OUR LEGAL STAFF

A bookish question

We are an international institution with a library. In connection with insuring it, we have been advised that books have a diminishing value. We incline to the view that a library such as ours has gained in value much in excess of the original cost of its component parts, and while it is unlikely that the whole would be destroyed, as it is situated in different parts of three separate floors, we are concerned as to what would happen if we claimed for a partial loss. What do you advise?

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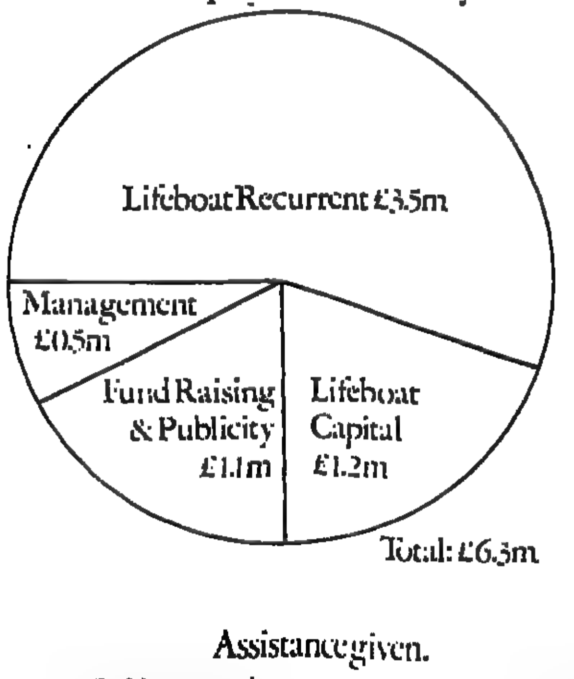

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FINANCIAL TIMES SURVEY

Wednesday May 17 1978

TEXAS INDUSTRY

Texas is growing in true Texan style — in a big way. As guardian of the United States' oil and gas resources, it has never been a poor state, but with its increasingly diversified economy it is attracting both domestic and foreign investment, and its future looks bright.

State of growth

By David Bell

SOMETIME IN the past 18 months Texas pushed past Florida to become the fastest growing of the 20 largest states in the Union.

Texans have always had an eye for superlatives, but even they have come almost to take for granted the seemingly inexorable way in which the state continues to grow. Other states in the Sunbelt—the strip of states stretched out along the southern third of the U.S.—may be having their problems. But Texas is different.

This is not to say that the state has remained completely immune to the economic currents in the rest of the country. Nor is it to suggest that there are not some clouds on the horizon as the reserves of oil and gas which have underpinned the state for so long continue to run down. But the state's strength is so broadly based—its economy so diversified—that the prospects for the future may well be as bright as Texans like to say they are.

The statistics tell part of the story. Texas is the largest state in terms of land apart from Alaska. After California and New York, it is the third largest state in terms of population. It still has about one third of the nation's oil and gas reserves, and produces nearly 7 per cent of the country's food.

Of the ten fastest growing urban regions in America, four —Houston, Dallas, Austin and San Antonio—are in Texas. Houston alone grows by 1,000 people a week and continues to grow at a pace that surprises even some of its own citizens. Dallas, now linked to Fort Worth, in what Texans like to call a "metroplex" has become a major distribution centre and continues to be an important manufacturing area particularly in the aerospace and high technology fields.

Dallas also boasts the world's second largest airport which, its developers, hope will help the area to become the crossroads of America by the beginning of the next century rather in the way that Chicago profited from its position as a rail junction in the last. Good roads, air services, telecommunications and rail freight lines bind the sprawling state together.

With all these advantages it is not surprising that even during the recession of the mid-1970s Texas economy has remained buoyant, and with it most of the state's industry. The cornerstone has, of course, been the oil and gas industry, although together they employ a very small proportion of the state's 5.6m. workforce.

Not only has the industry provided a ready, and historically a cheap, source of energy in the form of natural gas, but it has also been a major reason for Texas' expansion. Many companies, used to increasing tax rates in the North and Mid-West, have been attracted to Texas by the fact that it has no state income tax and no state corporation tax. The major reason for this is that oil and gas contribute 21 per cent of the state's revenues or some $957m in the two years 1978 and 1979.

Reserves

Although the decline in the state's energy reserves—now thought to be bottoming out in the wake of an almost unprecedent surge of new exploration —has been serious, its effects have been effectively offset by the sharp rise in the price of oil since early 1970 so that the price of an average barrel of Texas oil has more than doubled.

Indeed, for Houston—where the growth has been and still is the most frenetic—the OPEC oil price rise has brought nothing but benefits. About 500 companies connected with oil and gas now have offices in the city which fully deserves its title as the oil capital of the world. And the rise in the oil price—and the prospect that the Federal Government may agree on a range of higher prices still for newly discovered oil and gas—have lately encouraged a ne wburst of drilling which has in turn delighted the city's oil industry.

Texas is also a major centre of the American chemical industry and the state has begun to attract not only domestic chemical producers but also companies from overseas, the latter in increasing numbers. ICI, BASF, Hoechst, La Roche, Laporte and Solvay are among the European companies that have recently expanded their investments in Texas. Japanese petrochemical companies have also expressed considerable interest in the state.

Some of these chemical companies have been worried by the possibility of a shortage of natural gas, and by the rise in its price, but the industry continues to be in a strong position—close to the sea, with an experienced labour force, close to massive existing facilities and able to use either Texan or imported crude oil as an increasingly attractive alternative feedstock.

But Texas' appeal to foreign investors is not merely its reserves of energy. The state has also seen major investments in property both urban and rural. In Houston, for example, it was announced last week that a consortium led by Deutsche Bank has bought about half of one of the city's most attractive office blocks for an undisclosed figure. This is but the latest of a series of such purchases.

Agricultural land is somewhat less in demand in Texas than elsewhere in the Sunbelt, but that is no reflection on the health of the state's agricultural industry. Some 139.8m acres of Texas are devoted to agriculture and about half the $6.6bn worth of farm income last year came from livestock. The rest came from a variety of cash crops, cotton being the most important.

The state has set itself ambitious targets for expansion despite the fact that in the past two years higher feed costs and lower retail prices have squeezed even the largest farm incomes. In the past few months this picture has improved, but there is still concern that the targets may not be met because the state could suffer a water shortage in some of the key agricultural areas.

Agriculture has been supplanted as the State's major source of employment by a diversified manufacturing sector and by a whole range of service industries. Around Dallas and Fort Worth, the aerospace industry is emerging from a difficult period in sound health, buttressed by long order books. The apparel industry, also centred on Dallas, is also doing well and Texans are employed in any number of different industries, a major factor in attracting new manufacturing concerns since this means that the Texas workforce is becoming steadily more skilled in a variety of trades.

Total non-agricultural employment at the start of this year stood at close to 5m and the State unemployment rate is already recovering from the effects of the winter. It is around 4.7 per cent, or rather more than a percentage point below the national figure. In Houston and Dallas, the figures are even lower. Indeed these two cities are at or very near the top of the national table of the major cities with the lowest unemployment rates.

But although the manufacturing sector has grown, it still accounts for only about 19 per cent of the workforce. Some 80 per cent of Texans who do not work in agriculture are employed in service industries with by far the largest number, about 850,000, in retailing.

The construction industry, which employs about 400,000 people, continues to thrive in the larger cities in the state. In Houston there is now a serious shortage of office space and housing construction is unremitting to keep up with the expansion of the population. In Dallas the picture is not quite as encouraging but demand has picked up and during January this year, the value of industrial contracts and building permits amounted to $771m, about 10 per cent higher than a year earlier.

One of the only parts of the state where the employment picture is not so encouraging is concentrated in the Rio Grande Valley which is relatively remote from the rest of the state. Indeed the major problem identified by some companies is an incipient shortage of skilled labour, partly a reflection of Texas's continuing growth, but partly also a result of the state's failure to spend as much as it might have done on vocational training, a deficiency which is now on the way to being remedied.

All this must make Texas an increasingly attractive place for other foreign companies to establish manufacturing bases. Until recently, Texas has been relatively indifferent to this kind of investment, but it has now begun to promote its attractions abroad and this campaign seems likely to intensify.

If these attractions are considerable, there are also problems facing the state in the year ahead. The most obvious is the slow decline in oil and gas reserves which could force the legislature, which only meets every other year, to look for new sources of revenue as the oil and gas industry pays less tax. As long as prices continue to rise as they have done, this problem is less than acute—and, of course, new reserves are being found. But it is an issue which may have to be faced sooner or later.

Then there is the water problem. Although Texas has vast reserves of water, they are being depleted rapidly, particularly in the western region of the state. Rising energy prices have also pushed up the cost of irrigation. A return to dry land farming—because of these two factors—on any large scale would reduce the output of the state's important agricultural sector and thus damage the economy.

There is also the question of immigration. No one knows how many Mexicans are still slipping across the border into the state or, for that matter, how many are already there. But there are faint indications of problems to come—the most recent being a small, but ugly, riot in Houston which underlined the resentment felt by a part of this immigrant community. A steady increase in Mexicans may, for a time, lead to greater demands on the state's welfare budget and lead to problems in some cities not unlike those already experienced in the North.

Indeed, both Houston and Dallas may, to some extent, be living on borrowed time. Both have expanded in pell-mell fashion. Planning restrictions are few and the cities depend on a network of motorways to keep them operating. These roads are already badly blocked during rush hour and the problem is getting worse.

Pollution

With all this traffic, itself steadily more expensive as petrol costs rise, has come a great increase in pollution. Houston, which also gets a great deal of pollution from its nearby chemical plants, now has a serious pollution problem and in the summer, the centre of the city is sometimes invisible even from six miles away, hidden behind a chemical haze.

Yet Texas' opportunities currently far outweigh these disadvantages and its geographical position, diversified economy and low housing, labour and tax loss should make it a formidable competitor in the battle to attract more foreign industry to the Sunbelt and to entice existing American industry away from the North East and the Midwest.

Fifty per cent of all the people now living in Texas were not born there. The state no longer deserves the "cowboy and oilwell" image it has had for so long in the rest of the world. Houston and Dallas, where nearly half the state's population live, have effectively become the new image of the state. On balance, that is as it should be. But there are some older Texans, still fiercely proud of how far their state has come, who will acknowledge that something may have been lost in the process.

Increase in natural gas activity

THE PACE of activity in the Texas natural gas industry these days is little short of frenetic. New wells, deeper and more expensive than ever before, are being drilled at a faster rate than for 20 years and companies are returning to areas rejected even two years ago as too costly to exploit.

The reason for this sudden burst of activity is the steep rise in the price of gas and the prospect that the price is going to keep on going up. How fast it will climb in the future, and much else about the industry, depends on decisions now being painfully hammered out in Congress in Washington.

Agreement on the exceedingly complicated issue of natural gas pricing has been in sight, but just out of reach, for some weeks and a deal will probably not be struck for some weeks yet. But most experts, and most companies, are reasonably happy with the shape of the compromise now emerging and the drilling figures bear eloquent testimony to their new found optimism.

Five years ago there were only 1,000 rigs operating in the United States. (Rigs look for both gas and oil and often find both when they find one). Now there are about 2,200 at work and most estimates suggest that this number will increase by about 100 a year for the next few years. More rigs, in short, are at work than for 20 years.

But all this activity cannot mask the fact that Texas reserves of gas are still declining. Wells are going deeper, gas is being found, old wells are being redrilled using new technology—but most experienced prospectors doubt that there are many, or any, very large fields left to be found. What is happening, however, is that the reserve figures are "bottoming out."

Natural gas pricing in the U.S. has become a paradise for lawyers, a regulatory minefield for gas producers, a political football for Congress and a source of endless confusion for host consumers. It has been so in varying degrees for about 40 years, but since the supreme court decided in 1954 that the Federal Government has the right to regulate the price of gas shipped between States the whole issue has become steadily more complicated and contentious.

President Carter, when campaigning in 1976, told Texans he favoured ending this Federal intereference in gas prices which, he said, had kept prices artificially low and had been responsible for the steady decline in new wells and new discoveries. This was music to Texan ears, but their pleasure was short lived. Last year Mr. Carter was all for continued regulation, albeit at higher prices. Then, this year, he reversed himself again as the Energy Bill remained becalmed in Congress. Now the Administration, after all, favours phased deregulation.

Arguments

The arguments about the details continue but the broad outline of what this means is now clear. Since 1954 Texas has been free to price gas used inside the State how it likes, but interstate gas has been set at the Federal price—now $1.45 per mcf (1,000 cubic foot). Demand for gas in Texas has been sufficient to push the price for intrastate gas up to about $2 although it has now temporarily fallen back to about $1.90.

So enticing has this price differential been that almost no newly discovered gas has left Texas and the last estimate by the Texas Railroad Commission, which regulates oil and gas in Texas, was thaat 96 per cent. of new gas has remained within the state. The first effect of President Carter's energy compromise will be to alter this because if it goes through, the distinction between interstate and intrastate gas will be abolished.

At the same time, the compromise provides a formula for new gas which will allow the price of new gas to rise by the rate of inflation plus certain percentage points between now and 1985. By then, when controls will be lifted, the price will be around $4 per mcf. Two years later, when Congress has watched the unregulated market at work and made sure that it has not "gone mad," controls will be abolished permanently.

The effect of this—if it goes through—will be to enable producers, pipeline companies, industrial corporations and consumers to plan for the next ten years with a reasonable certainty about price. The ending of the distinction between intra and interstate gas will also mean that much of the gas produced in Texas, Louisiana and Oklahoma (the three major gas producers) will flow into the national pipeline system, thus reducing the immediate threat of shortages.

Opponents of the deregulation of natural gas have argued that the companies are already being paid more than enough to encourage them to look for new gas and that the present compromise is a "ripoff." They also charge that many natural gas prospectors know where more gas is to be found but have deliberately not exploited it in order to drive up the price.

Texans indignantly reject these charges. They note that the new prices proposed in the gas compromise are for new gas as defined in the labyrinthine regulations which will accompany the final bill if it ever makes its way out of Congress. Old gas, that is gas discovered before April 1977, is subject to a different formula and will not rise in price so rapidly. Nor can existing contracts be altered. Some of these provide gas at as low as 50 cents per mcf for as long as 20 years.

The Texan gas industry argues that the new prices for freshly discovered gas are essential because of the cost of looking for it and the cost of getting it out of the ground. Many new gas discoveries in the state are being made at depths of between 15 and 20,000 feet. A well of this kind can easily cost as much as $5m. to drill and only one in seven wells typically yield recoverable reserves of gas.

The Gomez Field in Pecos county, where good amounts of gas have recently been found, has had wells drilled in it to a depth of 22,000 feet and the deeper the drills go the more it costs. At the new prices such drilling is an acceptable commercial risk and will enable the industry to take a look at the "many good looking basins that up to now have been too far from a market to exploit profitably" as one leading gas company chairman puts it.

In 1976, the last year for which full figures are yet available, Texas' proven gas reserves were some 64.6 trillion cubic feet, down 5 trillion from the year before. Estimates for last year indicate that this decline may now be over and that the enormous increase in drilling activity is enough to stop the fall in reserves though not to push the overall figure significantly higher.

Production

The state produces about 36 per cent. of all the gas produced in the U.S. and currently there are some 29,000 wells producing nothing but gas which account for about 80 per cent. of the gas produced. Another 19 per cent. of the state's gas comes from some 161,000 oil wells.

The fall in the reserves and the concern that Texas gas production may have peaked has kindled interest among pipeline companies in importing liquid natural gas, and it has also provided the impetus for a remarkable energy conservation campaign now under way under the auspices of the state.

Texas uses nearly 60 per cent. of the gas it produces and nearly 90 per cent. of that is used in industry or to generate electricity. The state has laid down that by 1985 most electric utility companies must shift to a fuel other than gas to power their boilers. Latest estimates suggest that by 1985 only 15 per cent of the state's electricity will be generated by gas, a remarkable 74 per cent. drop from the figure at the end of last year.

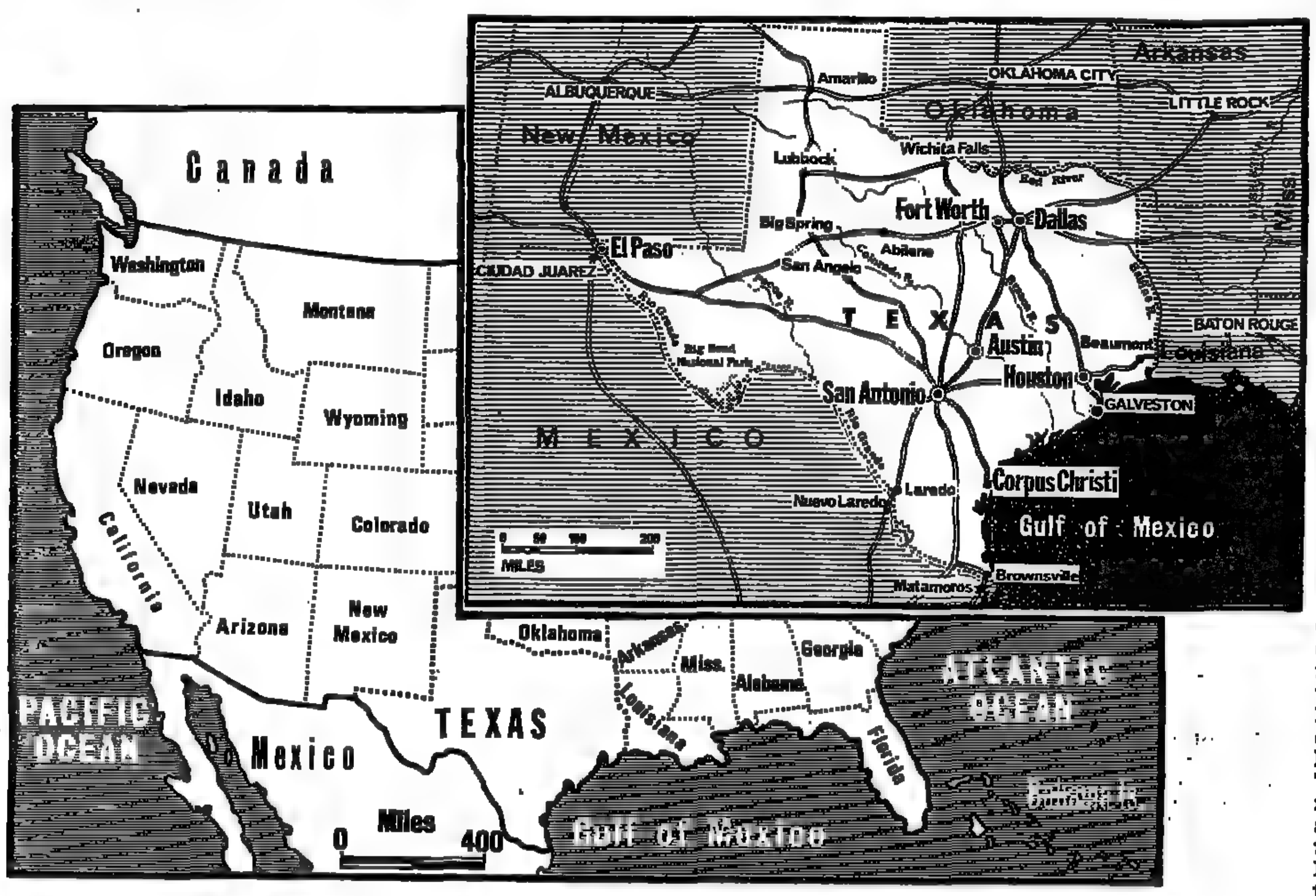
But the state is concerned that as it reduces such use of gas—freeing it for use as a feedstock for chemicals and stretching out the reserves—other states like California may take the opportunity to buy Texas gas for their own utility companies. If the natural gas compromise goes through they will find it much easier to do this (because the distinction between inter and intrastate gas will have vanished) and Texas is already preparing to "fight" to stop this.

Pipeline companies operating in the state and beyond have taken a great interest in the possibility of importing liquid natural gas both from Mexico and the Middle East. Elaborate schemes stand ready to go into operation but they have been held up by the Federal Government which still insists that the price being charged by both Algeria and Mexico is too high. Whatever the merits of the Government's case, it is undeniable that dealing with the Federal Department of Energy takes a long time. And it cost Tenneco, one of the companies trying to fix a deal with Algeria, some $400,000 in non-returnable filing fees alone when it made its application in Washington.

Complaints about regulation, congressional delay and ignorance and opposition from public interest lobbies abound in the industry. But the drilling figures indicate that the recent surge in prices and the prospect that prices will rise still further has already had a marked effect on the industry. Indeed it is hard to escape the feeling that some companies do "protest too much."

For although the state does face problems in the long term as the reserves figure falls apparently inexorably (if much more slowly than previously expected) the immediate future for the industry is a bright one. And there is always the hope that, perhaps offshore somewhere, there is another huge gas field waiting to be discovered. If there is, the present spate of new drillings is unlikely to miss it.

David Bell



Foreign investment

DURING THE recent primary for the Democratic nominee for the Governorship of Texas, the nastiest thing the incumbent Governor could say about his opponent was that he was in favour of a state income tax. A vote for John Hill, Governor Briscoe's advertisements warned darkly, would be like "tying a hangman's noose" around Texas's neck. The point was rammed home graphically with a picture of a piece of rope, and the text went on to repeat Briscoe's view that the last thing Texans wanted was "New York style Government or Washington bureaucracy."

In the event, Mr. Hill won, but only after he had refuted what he described as Briscoe's "malicious slur" on his character. In the last few days of the campaign, Hill was forced to use virtually all his available media time spelling out his own opposition to income tax of any sort. In a state where, according to one political commentator, saying a politician is in favour of new taxes is like "accusing him of child rape," Hill could not afford to let Briscoe's mud stick.

The lack of both personal and corporate state income taxes is just one of the factors which has made the state attractive to outside investors. The fact that it has been able to survive so long without raising money through income tax is, of course, partly due to its energy reserves. And it is these which have traditionally attracted industry to the state and helped it grow faster than other areas. The icing on the cake has been the climate of opinion reflected in the recent Democratic primary.

Money

In Texas, there is absolutely nothing sinful about making money and preachers still give sermons extolling the virtues of big business. Texan values seem almost to be a caricature of those once associated with the entire U.S. Local residents in Fort Worth, for example, point with pride to the Tandy Corporation's two gleaming office blocks which dominate the city like monuments to free enterprise. Mr. Tandy, they say, with an admiration which, until you have been to Texas, you would have dismissed as the product of a bad movie writer's imagination, "started with nothing, and look what he is sitting on top of now."

These feelings are not, of course, shared by all Texans and the State is not by any means without its social tensions. But in general, the work ethic reigns supreme. Welfare benefits are low and the average working day starts at eight and ends at five. Wages are lower than in many other states while, despite odd successes by the unions at individual plants, union membership is also relatively low at around 13 per cent of the workforce. The cities are run like businesses—in conversation last week, one Dallas official quite unconsciously referred to a suburb as a "subsidiary"—and the State's constitution specifically prevents a public sector deficit.

All this may not make the State a very pleasant place for those who cannot get a job—and, despite the low level of unemployment for the State as a whole, there are areas where as many as 18 per cent. of the Workforce are unemployed — but it does make Texas an attractive business proposition. Some of these attitudes are shared by other Sunbelt states but according to one survey, Texas has a better business climate than any other state. The study, carried out by the Fantus organisation, used a rating system based on such factors as taxes, labour laws, size and cost of Government, and welfare benefits.

Texas, as one of only four states without corporate income tax, and six without personal income tax, scored 87 per cent overall—just ahead of Alabama —and was rated "excellent" on such things as union regulations and taxes. (Illinois, which had commissioned the study, gained little comfort from the results: it was way down the list).

These factors, coupled, with a lower than average cost of living, partly explain why American companies, like Bechtel and Fluor, have moved their international headquarters into the State. And, as State Government officials point out, "success attracts success." The influx of companies has ensured that Texas maintains its place as one of the fastest growing states in the Union. This in turn has attracted other companies to the area, anxious to exploit the expanding market.

The Dallas Fort Worth metropolitan area is now home to more corporate headquarters than any other urban area apart from New York and Chicago. The move is, of course, part of a wider trend towards America's southern States but Texas has had the added advantage of long having been a major oil centre. Houston's strength in oil, gas and chemicals has traditionally acted as a magnet for other energy-related companies, like engineering corporations, and the Arab oil embargo made this magnet all the more compelling. Energy prices were, of course, one factor, but increasingly the emphasis seems to be on the continuity of supplies available in Texas.

Another factor which has drawn companies into the State has been it good communications. The Dallas Forth Worth area has long been a distribution centre for the South Western States and the opening of the new airport has both increased and expanded this role. The city authorities can quote numerous examples of overseas companies which have chosen the area as the starting point for breaking into the South Western markets.

The Texans have only recently started to court foreign investors seriously and many of the manufacturing plants which have been opened by foreign companies have been relatively small employers. But the State now seems anxious to attract manufacturers who will use locally produced raw materials rather than, as tended to be the case before, merely buying their materials in Texas and processing them elsewhere. So far, most of the big multinational investments in processing seem to have been made by companies, like ICI and American Hoechst, operating either in the oil or chemical sectors.

This kind of investment is not, of course, new to the area: many of the big multi-national oil companies have been represented in Houston for years. But the officials say there is much more interest in other kinds of manufacturing investment today than there was, say, five years ago when continuity of energy supplies was not such an issue.

Property

The other big growth area in foreign investment has been in property. With increased construction costs, yields are a little lower than they were a few years ago. But a number of the big insurance companies still seem to regard it as a good investment. The influx of new companies into Houston has meant that despite all the building, there are still plenty of applicants for office space. Only a few blocks are built on spec: most have been leased before construction begins.

In all, foreign investors are said to have spent $300m. in property in Houston alone in the two years to March 1977. Other areas, like San Antonio and Dallas, have also attracted some foreign money though none has done as well as Houston.

The Germans have made some of the most spectacular acquisitions, spending an estimated $300m. in the same two year period. An 80 per cent. share in the towering Pennzoil building in Houston, for example, was bought by German investors for $92.9m last year. And only last week the Germans added another clutch of property to their portfolio. The Swiss and the Canadians have also been active. Canadian interests paid around $22.7m for two apartment blocks and three office buildings in Houston last year.

Partly because of exchange controls, British property investment has generally been more subdued than the big deals signed by the Germans, but some British companies have been building up their investments behind the scenes. A British pension fund, for example, recently bought a shopping centre outside Houston while last year, British investors bought two office buildings, and a half interest in another, for about $15m.

As for the Arabs, everybody assumes that they are in the market but only a few deals have been made public. Interestingly, some of these have been in Texan manufacturing companies, rather than property.

For the moment, the Texan economy is growing fast enough to accommodate allcomers—provided they are prepared either to work for their living or invest money in the State.

Elinor Goodman

Hub of the oil world...

THERE IS one week each year when it is effectively impossible to get an hotel room in Houston, America's fastest growing city. Earlier this month, more than 70,000 delegates made their annual pilgrimage from all over the world to the City for the Offshore Technology Conference which, more than anything else, underlines Houston's unchallenged pre-eminence in the oil world.

The City's position as oil capital of the world has been strengthened by the events of the past few years. The fourfold increase in the oil price—and international concern about a future world shortage of energy—has led to a flood of new exploration for oil all over the world. The oil companies—and the corporations which supply them with everything from food to drilling bits—have dominated this search from their offices in Houston.

Reserves

But they have not forgotten the reason that they are in Houston—and in Texas—in the first place. Texas has 39 per cent. of America's oil reserves and only Alaska (with 31.6 per cent.) has more. The state produced 40 per cent. of total American production in 1976, the last year for which final figures are available and once again is now second only to Alaska which did not begin to come on stream until last year.

Oil and gas together pay 21 per cent. of the operating costs of the State of Texas. The industry employs more than 300,000 people and pumps wages of well over $4bn. into the state each year. Houston alone has close to 500 companies—ranging from Exxon and Shell down to small seismic companies—within its city limits and the number is growing steadily. As many as half of these companies are involved in the North Sea in one way or another.

Well over 700 of the 2,200 rigs now estimated to be searching for oil inside the United States are at work in Texas and the recent spurt in activity—itself of course a result of the increase in the world oil price—has set off a rush to look for new oil or to return to fields which are economic at the new prices. "The fact is that more people are getting modestly wealthy out of oil at this moment than at any time in the state's history," said one retired oil executive.

Yet for all Texas' pre-eminence in the oil world and for all the optimism and drilling activity, the underlying picture is not all that encouraging. Since oil became a major source of energy some 70 oil-fields have been found in the U.S. with reserves of more than 1bn. barrels. But only one of these finds has taken place since 1949.

Prudhoe Bay—in Alaska—is of course a major success story and its production alone will eventually climb to some 1.2m. barrels a day compared to Texas' current output of around 1.2bn. barrels a year.

But there have been no finds of this size in Texas. If the state continues to produce oil at the present rate of about 3.2m. barrels a day its existing oil reserves will not last long. The 1976 oil reserve figures of some 9.2bn. barrels was nearly 1bn. below that for the year before and such decline, if it continues, would quickly exhaust the state's oil and cause serious problems for the state exchequer.

There are indications, however, that the new drilling which began in earnest in the autumn of 1976 and has since gathered pace may actually have halted the decline in the reserves. However, no one expects that all the new exploration will do much more than slow down the rate at which the reserves decline and that is a major reason for the unceasing stress that the oil companies continue to put on the need for conservation.

So far the state has scarcely noted the decline in reserves because the average price of a barrel of Texas oil has more than doubled since 1970. The price will, no doubt, climb further although for the moment the world oil glut has led to a certain softness. How far it will climb depends on actions taken on the world stage and, as far as Texas is concerned, on actions taken by federal regulatory authorities in Washington.

The joint Senate and House committee which is considering the President's Energy Bill has yet even to broach the proposed new tax on wellhead production of domestic oil and it is impossible at this stage to predict what compromise will eventually be reached on the oil price issue. There are those in Texas, and elsewhere, who hope that the President will be prepared to forget all about the oil part of his bill. Others are pleased with the incentives that the measure might offer explorers for new oil, but less clear about the precise cost of old oil—that is oil discovered before April 1977 which the President has proposed to push up to the world price using a three stage tax.

Texas is following this whole issue minutely, but in the interim period before it is solved the state—and Houston in particular—has plenty to think about. Companies like Cameron Iron Works, Marathon, Hughes Tool and Halliburton, which supply a full range of equipment and services to the oil industry, are working full time to meet world demand and the delivery time for a new rig has stretched to about 18 months. (The offshore rig market, by contrast, is said to be somewhat easier.)

State oil companies from countries like Algeria, Venezuela and Peru have set up buying agencies in Houston and are doing millions of dollars worth of business in the state. Some of the opportunities are unlikely. The catering division of Grand Metropolitan, for example, has just opened an office in Houston to offer world wide catering services. Among its more remarkable achievements so far is the feeding of 1,200 Japanese in Nigeria.

Refining

The state's oil refining industry has been, perhaps, the first sector of the oil industry really to notice that America is steadily importing a greater part of its oil. Texas oil refineries now import at least 35 per cent. of what they process and some large companies are now processing more than 40 per cent. foreign oil.

Although the proportion of Texas oil may grow, no one expects this figure to drop very much in the next 10 to 15 years—even if the energy bill becomes law and conservation takes hold. Texas could therefore be affected by the shortage of really deep moorings off the coast. A plan proposed by nine companies and called Seadock, which would have established a deep water terminal offshore, is currently ensnared in a mass of environmental objections and its future is unclear.

However it is more likely that LOOP—the Louisian Offshore Oil Port—will go ahead and some of the oil shipped through it may find its way to Texas. In the meantime significant quantities of oil are being transhipped at terminals in places like the Bahamas and Curacao.

All this was graphically underlined by the Offshore Technology Conference. Exhibitors crowded the astrodome, Houston's futuristic sports arena, and the programme of papers delivered at the conference covered almost every conceivable aspect of the worldwide oil industry.

For Texas believes that price will lead to more oil. It continues to have faith that technology will also play an increasingly significant part. Engineers reckon that as much as 1.2bn. barrels of oil may lie waiting to be received by new techniques in existing fields, utilising such techniques as "water flooding."

New drilling techniques like new gathering techniques may also reduce the cost of getting the oil out—a not insignificant factor when it is remembered that the average Texas oil field yields a mere 19 barrels of oil a day and that 96 out of a total of 8,642 fields produce some 70 per cent. of Texas oil.

Houston certainly is overflowing with confidence and continues to expand at the rate of 1,000 people a week. There is now a shortage of office space in the city and the rush-hour traffic jams bear witness to the speed with which the city has grown in the past ten years. As Houstonians are fond of noting, even if Texas begins to feel the decline in the state's oil and gas reserves, that will not make too much difference to Houston.

For the city has taken Texas as its foundation and built itself into the energy capital of the world and there is nowhere else on the horizon to challenge its current position.

D.B.

...and chemical centre

MORE THAN 50 years ago the city fathers of Houston decided to build a deep ship channel to connect the city with the sea some 40 miles away. At the time it seemed to many observers to be the height of folly.

But time has proved them wrong. The channel has become the focal point of one of the largest chemical and petrochemical complexes in the world and has propelled Texas into its current position as producer of no less than 46 per cent of the nation's petrochemicals.

Producers

The list of members of the Texas Chemical Council has always included all the country's major chemical producers. Most of them were attracted to Texas by its proximity to the sea and to the inland coastal waterway system, by its relaxed attitude to pollution and by the absence of state income or corporate taxes. But above all they were drawn to the state by its abundant supplies of energy—both oil and natural gas.

These same attractions have now begun to lure foreign chemical companies to the area. Imperial Chemical Industries has embarked on a $250m. joint venture in Corpus Christi, Laporte and Solvay have begun to develop a $30m. to $40m. petrochemical plant at Baytown, the Japanese have made significant investments and so have companies like Hoechst, BASF and Hoffman-La Roche.

And that may only be the beginning as European and Japanese chemical companies come increasingly to want to establish significant manufacturing facilities in the United States. BASF, for example, has just brought out Dow's interest in a joint plant the two companies were operating in Freeport, and no one expects the foreign "invasion" to come to a halt at the moment.

The surge of foreign interest in the industry, however, comes at a time when some parts of it are more nervous than at any time in the recent past. Many of the plants have been affected by the prolonged "softness" of the chemical market and have been operating at lower capacity than they would like. At the same time those companies without their own supplies of natural gas — the prime feedstock — have been hit by the enormous increase in the price of this gas.

Some plants were built in Texas more or less on the assumption that the era of cheap gas prices would last for ever. Less than ten years ago some plants were receiving gas at about 20 cents per 1,000 cubic feet, and some of it was as cheap as 15 cents. New gas now costs just under $2 per 1,000 cubic feet or some 14 times what it used to cost. If the proposed natural gas compromise goes through Congress this price will climb to some $4.10 by about 1985.

So far very few plants have had to close because of this and many of the larger ones have adequate supplies of gas. Others are looking—the latest being Conoco and Dupont in a joint venture — for fresh supplies. Yet others are basing their future plans—in the long term—on the assumption that there will be sufficient supplies of imported liquid natural gas to make up any shortfall as Texas' own gas reserves continue their gentle decline.

Apart from LNG there is a growing interest in using oil as a feedstock as a substitute or complement to gas and there is rapidly growing use of coal and lignite, at least in theory, to power their petrochemical plants and the state's boilers. Texas has ample reserves of both coal and lignite.

Nevertheless there is no doubt that the Texas chemical industry is concerned about its future despite the fact that there is confidence that there will be enough domestic or imported feedstock for the medium term future. Traditionally the states industry has been an intermediate producer making the raw materials which are transported by barge to finishing plants elsewhere in the country.

Some observers believe that Texas must make more of an effort to keep these "raw" chemicals in the state, and some companies have begun building finishing plants near their chemical plants (Springfield Tyres being one case in point) the mild fear—and it is only a mild one— is that as Texas' indigenous reserves dwindle, transport costs rise and the price of natural gas across the nation evens out, some producers will be tempted to build their new plants nearer their finishing plants in other states where labour may be more plantiful.

There is also some concern about possible competition from overseas. Saudi Arabia and Iran both have abundant supplies of gas and have shown considerable interest in setting up their own intermediate chemical and petrochemical plants. In theory they will be able, in time, to offer a range of products which should be cheaper than those that can be produced in Texas.

However, most Texas chemical experts believe this is a threat that exists largely on paper because of the enormous transport costs involved, which would make it very difficult for other nations to compete. A more immediate threat could be Mexico, which is haggling with the U.S. about the price America is willing to pay for its large gas reserves. If Mexico decides to invest even more in chemical facilities, this could be a significant challenge to the Texan companies.

Future

Yet it would be wrong to overestimate these clouds on the horizon. The Texas chemical industry is nothing if not resilient. Conscious of the possible shortage of natural gas, ten out of the last eleven major petrochemical plants have been built to use oil as a feedstock and the estimate is that by 1985 some 21 per cent. of Texas' tremendous oil refinery output will go towards the production of petrochemicals.

Various schemes are already afoot to increase the state's capacity to handle imported oil. The Seadock proposal, which would have established a deep-water oil terminal, has been shelved for the moment, but LOOP, the Louisiana Offshore Oil Port, seems fairly likely to go ahead and in the meantime there is an increasing amount of transhipment from places like Curacao and the Bahamas.

The state's oil refiners have been fighting a possible state tax on refineries, arguing that if Texas wants to continue its chemical expansion it is important that petrochemical plants and refineries continue to exist close to each other—and a tax on refineries could threaten this connection.

Meanwhile the Texas chemical industry continues to invest some $400m. a year, and is the state's second largest industry in payroll terms with an annual salary bill of some $700m. Only the transport sector pumps more wages into the economy.

Some 60,000 people are directly employed in the industry chiefly along the ship channel and in the so-called "golden triangle," the area bounded by Beaumont, Port Arthur and Orange. Any visitor to either of these areas, however, soon realises that they are anything but golden in reality. Indeed the largest cloud on the industry's horizon may well be the very real cloud of pollution.

On some windless days in the summer the centre of Houston disappears from view in suburbs only five or six miles away. The smell is insistent and unpleasant and the area consistently fails to meet minimum federal pollution standards. The industry argues that things are very much cleaner than they were, but there is a long way to go and cleaning up the industry could impose a heavy extra cost on it.

When all is said and done, however, the factors that lured so many chemical companies to Texas in the first place still have a powerful effect today. And for the foreseeable future, Texas seems likely to dominate the nation's chemical production. Indeed it could even strengthen its position if more finishing plants come to the state to take advantage of its low taxes and low living costs.

Even if a combination of high gas prices and spare capacity temporarily constrains the industry's growth a little, there are not many followers of the state chemical industry who expect it to lose its preminance at any time in the foreseeable future.

D.B.

Growing banking industry

THE LAST eight years has seen a profound change in the structure of Texan banking. The state's bank holding companies have emerged to rank among the 30 biggest banks in the United States. At the same time foreign and other American banks from outside the state, have moved into Texas so as to be closer to the action in the energy-rich centre of the Sunbelt.

At $48bn, Texas's commercial bank deposits are now the fourth largest in the United States. And the growth of 10.8 per cent between 1975 and 1976 was more than twice that for the nation as a whole.

Houston, as the City's Chamber of Commerce acknowledges, cannot yet compete on equal terms with Chicago—let alone New York—as a major international financial centre, but it is not far from the financial big league—and the Chamber wants to ensure that it joins it. Some of the City's businessmen would like to see the law changed so as to make it easier for foreign banks to operate there. Houston, they argue, is growing so fast that there is plenty of room for foreign banks.

Up until 1970, Texan banking was highly fragmented. The law prevented both branch banking and the formation of bank holding companies. This means that each bank could only exist in one place with one set of owners. The result was some 1,400 separately owned banks, some of them highly specialised to deal with the needs of their particular community, but few of them able to provide the kind of money which the state's growing corporations needed. Even the largest could only lend a maximum of $10m (10 per cent of capital plus reserves) and most of the big companies took their banking business outside the state.

In 1970, however, the banks were given the green light for expansion by Washington. The Federal Bank Holding Act was amended to allow the establishment of bank holding companies. The State's prohibition on branch banking remained but, by building up their holding company interests, the big banks were able to establish a network of local banks.

Under Texan law, any bank taken over by a holding company still has to remain autonomous: it has to be separately capitalised and have its own board of directors. But in practice, the links between the member banks and their holding companies are close, and the change in the Federal law has allowed the big banks to build up assets and deposits rapidly.

The average commercial district in a Texan town still presents a bewildering number of bank names as, with the exception of Texas Commerce, the holding companies have not generally tried to stamp their identities on the banks they have bought. But behind the scenes, major groupings have emerged. The big four holding companies—First City Bancorporation of Texas, Texas Commerce Bancshares, First International Bancshares and Republic of Texas Corporation—now hold just under 30 per cent. of domestic deposits. At the end of last year, their deposits totalled $24.6bn and assets $28.7bn. First International was the biggest both in terms of assets and deposits with Texas Commerce moving up fast behind.

According to Business Week's "Bank Score Board," the earnings per share achieved by First City, which ranked 26th in the country in terms of assets, have grown by an average of 13.1 per cent. over the last five years. Texas Commerce, 24th in the assets league, had shown slightly smaller growth while the lowest figure achieved by any of the big four—11.5 per cent for the Republic of Texas—was well ahead of that notched up by most of the big New York banks.

Impact

Alongside these four major holding companies, other smaller groups have emerged. In all there are now some 33 multi-bank holding companies which together hold 54.3 per cent of the state's deposits. Many banks, however, remain outside the holding company network.

The impact of all this on Texan banking is best demonstrated by looking at how just one holding company has grown. Eight years ago, Texas Commerce was operating out of one building in Houston and had a lending limit of $7m. Today, its limit is nearer $50m and it has 36 member banks under its umbrella.

The growth of the holding companies, however, has not been unrestricted. The Federal Reserve Board has kept a very close eye on each acquisition lest any one bank should come to have what the Board considered to be an unfair competitive advantage. A number of acquisitions were turned down in the early 1970s—most notably one in a town called Tyler at the height of the takeover boom—but recently the Fed seems to have been adopting a more relaxed attitude towards acquisitions. Eighteen months ago, the Board approved a merger between Mercantile Texas Corporation of Dallas and Houston's Federated Capital Corporation. With nearly $3bn in combined assets, it was the largest multibank holding company merged in U.S. history. The decision, and others like it more recently, have been interpreted by local bankers as a sign that the Fed had decided to relax the rules of local acquisitions so as to allow Texan banks to meet the increasing challenge from foreign and out of state banks.

In 1973, an informal survey showed that 42 of the state's largest companies were taking nearly 80 per cent. of their banking business outside the state. Now more business is handled locally. Mr. William C. Hatfield, president of Republic of Texas, has been quoted as saying he believes that those same 42 companies are now giving Texan banks half their loan business. Certainly, the Houston banks alone can now fund loans of at least $50m between them.

Even so, there are still rich pickings for out of state banks. Indeed, some local bankers go so far as to say in their more off-the-record moments that the big American Edge Act banks, like Bank of America and Citicorp, still take the cream of the international business with local banks only participating in a secondary view.

Parallel with the growth in the holding companies and the growth in the economy has been a big increase in the number of out of state banks represented in Texas. In terms of foreign banks, the first in were the Japanese and the Canadians — both of which have long established trading links with Texas — with the Scots not far behind. The first two foreign banks opened in Dallas, but more recently, the newcomers have opted for Houston. The City now boasts 34 foreign and American Edge Act banks and the number is expected to increase to 40 before long. Only three years ago, it stood at 11. Barclays, Lloyds and National Westminster are all represented, along with a number of Scottish banks, anxious to cement their oil links with Houston.

The influx has partly been due to foreign banks anticipating moves in Washington to make it more difficult for them to open offices outside the major money centres. But it has also reflected the growth in the state's economy and Houston's increasing importance as a decision-making centre. As well as the oil companies, and corporations like Brown and Root which have long been based in Texas, a number of big engineering and construction contractors have moved their headquarters down to Houston. Big international deals are now being put together in Texas and the banks want to be represented there both to get a slice of this action and to invest their clients' money in the fast growing Texan economy.

In theory, there are tight limits on what both foreign and American Edge Act banks can do in Texas. They cannot make loans or take deposits within the State. "If I was to obey the rules to the letter" says one, "I could do no more than ingratiate myself with companies here and encourage them to use my bank if they wanted help back home." In practice, however, though bankers are extremely shy about admitting it, foreign banks do much more than that—as the big Edge Act banks have always done. As long as the deal is actually signed outside the state, everything else can be put together in Texas. Nevertheless, there are some Houston businessmen who would like to see some loosening in the rules governing the way out of state banks can operate. The City is growing so fast, they say, that it needs more capital than local banks can generate.

Such a change, however, might be resisted by some of the smaller banks which already feel that the holding banks have got too strong and would not welcome anything which made it easier for the foreign banks to get in on the act. In the same way, any move to allow full-scale branch banking would probably be resisted by some elements of the established banking community. Even the big four seem to have mixed views on this subject, pointing out that in a state the size of Texas, there will always be cities in which it would not pay for them to become involved in retail banking.

Rather than developing a blanket coverage of Texas, the big bank holding companies have widened their own overseas operations. All four are known abroad for the oil expertise which they have built up the years. Republic National of Dallas, for example, claims to have been the first bank to lend money on oil still in the ground and this has helped them establish themselves in the new oil areas as well as in the Middle East. Last year, for instance, Republic National acted as manager, along with the International Energy Bank, for two loans totalling $275m for the development of the Claymore Field in the British sector of the North Sea.

Some overseas bankers still criticise the Texan banking community for being overly conservative and cautious. Deals which would take a couple of days to complete in London, they say, take over a week in Texas. For their part, the Texan bankers would reply that if they are more conservative than their competitors in other parts of the world, their growth record is estimony enough to the wisdom of that approach.

Elinor Goodman

Communications

DALLAS, ACCORDING to one description, was the city "born with a wooden spoon in its mouth." Its location was remote and it had no port or access to the sea. There was no oil or gas in the immediate vicinity and even the railroads had to be bribed to go there.

Now, according to the American writer, Neal R. Pearce, all that has changed. It still may not be a particularly pleasant place to live but the "wooden spoon has turned to gold." The opening of the mammoth Dallas Fort Worth Airport has made the metropolitan area one of the natural entry points to the American market. The airport has taken over where the railways left off and now Dallas is bidding to become the Chicago of the next century.

The one thing Dallas—and indeed the whole of Texas—has always had in its favour from the point of view of communications has been its central location within what is now the fastest growing part of the United States. Look at the map of America—it is slap in the middle of the southern belt. This may have been a mixed blessing for the early settlers but it helped make Dallas and its neighbour (and long time rival) Fort Worth major railroad centres at the turn of the century. Now, with the growing attraction of the sunbelt and the gradual shift of population southwards, this location has become all the more important.

Texans, with their pride in all things big and bold, are immensely proud of Dallas Fort Worth. Even local shop assistants can reel off the facts: the airport is larger than the whole of Manhattan Island and the biggest in the United States. Rather ruefully, they have to admit that it is only the second biggest in the world. Opened in 1974, only three of the planned four major runways are currently in use but this still makes it the fourth busiest airport in the world. And staying in an hotel near the flight path it is only too easy to believe that this is true. Eventually, the airport planners envisage a cargo handling area so large that it will be able to handle 200 cargo 747s at the same time.

Most of the planes go to destinations within the U.S. but there are also 14 non-stop international routes out of the airport. Eight go to South America, two to Canada and, since the spring, one to London. Having won his battle to get the direct flight to London, Mr. Harding Lawrence, the chairman of Braniff's board, is now determined to exploit DFW's position as the "gateway to the big country" to the full. He believes that there is no reason whatsoever why people travelling either to cities within the U.S. or to South America should automatically stop off on the East Coast. He is hoping to get non-stop flights to DFW from Germany and Tokyo while he has also lodged an application with the CAB to take Concorde on from the East Coast to Texas. Eventually, he would like to extend this service to Panama and possibly on to other South American destinations, like Santiago. Ideally, the schedule would be so arranged as to allow travellers to stay in the same Concorde all the way from Bahrein to Texas, so reducing the flying time between what he sees as the two oil centres of the world.

Already, the opening of DFW has done much to stimulate interest in the area. A number of companies have cited communications as the reason for moving their headquarters down to the DFW "metroplex." The area was already an established distribution centre for the Southwest in the 1960s because of the way in which railways and the long-distance truck lines converged there but the airport has certainly increased its attractions. A vast World Trade Centre was opened in Dallas at about the same time as the airport and has been adding new exhibition floors ever since. Each year around 400,000 buyers visit the centre which accommodates five different permanent wholesale markets. The Centre is now the biggest wholesale market for floorcovering and gifts and second after New York for clothing.

All the publicity that has surrounded DFW Airport has sometimes made it seem as if it is the only international airport in Texas. In fact, Houston has an airport of its own. Around 7m. passengers flew out of Houston last year. Again, the majority are domestic flights but it is also the starting point for British Caledonian's direct flight to London.

Attractions

(The two airlines' London flights may start from different places but they both end up at Gatwick rather than Heathrow, a fact which may lessen their attractions to travellers bound for other European destinations, though Braniff is doing its best to promote Gatwick as a gateway to Europe and the Middle East and is making much of the fact that there is a direct link with Britain's oil centre—Aberdeen—from Gatwick.)

But if all the publicity has been going Dallas's way in the past few months, Houston still has one major advantage over Dallas apart from oil—the sea. Just as the city fathers of Dallas and Fort Worth opted for the airport as the key to future growth, so Houston businessmen recognised the potential of the city's location only 50 miles from the sea. In 1914, long before oil made Houston into the industrialists' Mecca it is to-day, the Houston ship channel, which runs 45 miles to the Gulf of Mexico, was opened amid prophesies that it would never be used. The pessimists were proved wrong and as Houston has grown as an oil capital, so has the traffic handled by the port. The third largest port in the country; it shipped around 100m tons of cargo each year.

In total, Texas can claim more deep water ports than any other State. The claim is just one of a whole string of records the State prides itself on in the field of transportation. It has more miles of road—250,000—than any other State, and more airports—around 1,200. In terms of car registrations, it ranks second to California, and President Carter's appeal to Americans to save energy seems to have made little impact on the Texans: they still drive around in vast cars which eat up petrol like the mesquite trees absorb water.

Though Texas still has more miles of railways than any other State, the railroads to-day are primarily used for moving freight around the country. The Texan transport system is based on the assumption that everybody either has a car or can afford to fly. Though bus companies like Greyhound and Trailways do operate coach services between the major cities, Texans seem to regard foreigners who want to travel by land as quaintly old-fashioned. Thanks to a price war being waged by the State's domestic airlines, flying can be cheap. It costs $15 o take the half-hour flight from the State capital to Houston but since there was virtually no way of getting to the hotel by public transport, it cost another $17.50 to get to the hotel by taxi.

E.G.

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Aerospace complex

BECAUSE TO most people the U.S. West Coast has become synonymous with American aeronautical affairs—with Boeing, the world's biggest jet builder, based in Seattle, and such other giants as Lockheed, the Douglas Aircraft Division of McDonnell Douglas, Hughes Helicopters, Northrop Corporation and Rockwell International all based in California, Texas has been often overlooked. But it is nonetheless one of the most important—and expanding—centres of all U.S. aerospace activity. It is, for example, the home of the Johnson Space Centre of the National Aeronautics and Space Administration, in Houston, which is the focal point for the control of all the U.S. space missions although the more dramatic launching points are centred over the Atlantic Coast at Cape Kennedy or at Vandenberg in California.

At the same time, a number of major U.S. aircraft manufacturing companies have their homes in Texas—notably Bell Helicopter Textron, one of the world's biggest helicopter builders, at Forth Worth; while Forth Worth is also the home of one division of General Dynamics, the builder of the F-16 multi-role combat aircraft, together with continued product support and modifications for the F-111 swing-wing fighter-bomber. Mooney Aircraft Corporation, a light aircraft manufacturer, is based at Kerrville: Swearingen Aviation, which makes small and medium transport aircraft, is based at San Antonio; while the Vought Corporation, a subsidiary of the LTV Corporation, building a wide range of tactical fighter aircraft, such as the Corsair II, is based at Dallas.

There are a number of other, smaller aircraft manufacturers in Texas, attracted by the good weather for flying, the spaciousness of the State, and the availability of skilled labour, and these have also helped to generate an expanding volume of ancillary industries in the equipment, components and electronics fields.

Of all these activities, probably those of the NASA Johnson Space Centre and of General Dynamics are the biggest. The Johnson Space Centre, begun in 1962, rises up out of the coastal prairie midway between Houston and Galveston, where 15 years ago Hereford cattle grazed—about 20 miles south-east of downtown Houston. Spread over about 1,620 acres along the north shore of Clear Lake, the Centre is the work-place for some 3,600 engineers, scientists and technicians. An additional 6,100 aerospace industry employees work at the Centre and in the surrounding business community, pumping a combined payroll of over $150m. into the Houston economy annually. The JSC, as it is known, is responsible for design, development and testing of U.S. manned space vehicles, for the selection and training of space flight crews, for the ground control of manned space flights, and for many of the medical, engineering and scientific experiments carried aboard the flights. At present, the major activity in the JSC is the preparatory work for the Space Shuttle—the development of a reusable Space Transport System that will ferry payloads into space and return to earth for refurbishing for re-launch. The most dramatic and ambitious programme in space research following the Apollo manned Moon landing programmes, the Space Shuttle is expected to become operational in the early 1980s.

Complex

Among the more familiar facilities in the vast complex that makes up the JSC is the Mission Control Centre, from which many manned flights have been controlled, and from where the Space Shuttle will also be controlled. This is a building familiar to millions around the world who watched on TV the dramatic moments when the first astronauts in the Apollo programme landed on the surface of the moon.

But although most of the JSC's efforts are directed towards outer space, other aspects of space research and aeronautics are not ignored. Many of the satellite programmes now monitored from the Centre are aimed at improving knowledge of what goes on here on Earth.

"Applications Technology" satellites are proliferating, for example, for measuring mineral and other resources, researching and forecasting the weather, and in improving communications, and many of these satellites in turn are carefully monitored from the JSC, and the results of their experiments made available in photo and data form worldwide. One of the latest programmes now under study is that of trying to bring the sun's limitless energy to the U.S. national power grid by means of solar-powered satellites. The satellites would convert the energy trapped on panels out in space into microwave energy, that would then be beamed to earth stations, to be converted into electrical power. So far, only modest experiments in this field have been conducted, but the day is moving closer when major programmes costing many billions of dollars, and calling upon a large proportion of the U.S. aerospace industry's manufacturing resources, will be developed and launched, item by item, for fabrication into the large arrays needed while in orbit round the earth. The Space Shuttle itself, while primarily intended for more immediately useful day-to-day applications in space, is likely to prove a useful tool when it comes to building these massive energy-trapping devices.

The importance of the JSC lies not so much in the Houston area itself, but in its influence throughout American industry. Although the annual NASA budget at about $3.9bn. for 1978 is severely restricted by comparison with the $5bn.-$6bn. outlays at the height of the manned Apollo spaceflight era in the mid-1960s, much of this money is spent throughout the U.S., with many hundreds of contractors contributing to all phases of the various manned and unmanned programmes. Also, there can hardly be a major academic institution throughout the world, that has not had, or still has, some links with NASA, either reaping the knowledge now continuously flowing in from the various satellite and other programmes or by contributing experiments to the steady stream of new space vehicles leaving the pads at Cape Kennedy or the Western Test Range at Vandenberg Air Force Base, near Lompoc in California.

So far as aeronautics itself is concerned, the future in Texas has never seemed brighter, and this is especially true of the Fort Worth Division of General Dynamics, primarily engaged on the F-16 multi-role fighter, and the FB-111. The F-16 production programme was authorised late in 1977, and at present six nations have chosen the aircraft. The U.S. Air Force is buying 1,388, while four European nations (Belgium, Denmark, the Netherlands and Norway) collectively have ordered 348, while Iran has ordered 160 and has requested approval from the U.S. Government to buy another 140. Australia and Canada are evaluating the F-16, along with other competitive aircraft (including the European Panavia Tornado) to select a fighter to meet their future defence needs, and several other nations, including Israel and South Korea, have expressed firm interest in acquiring the F-16 for their air forces. Greece, Spain and Turkey are also among the potential markets for this advanced jet fighter. The aircraft's multi-national production programme is now well under way. It is being co-produced on assembly lines in Belgium and the Netherlands, using components produced at Fort Worth and by leading companies of the four NATO nations involved. Some European-produced components will be used on aircraft built at Fort Worth, while some U.S.-produced parts will be used on aircraft assembled on the two European lines. Present schedules call for delivery of the first operational F-16 for the U.S. Air Force from Fort Worth later this year, and the first European F-16 from the Belgian assembly line in early 1979. Production will gradually accelerate on both sides of the Atlantic to a programmed rate of 22 aircraft a month by the end of 1980, including 16 at Fort Worth and six in Europe.

The Fort Worth Division, while also working on the spares and product support of the FB-111 fighter bomber, also still has hopes that, following the cancellation of the B-1 bomber, there will be a demand for a new version of the F-111.

This would be the FB-111H, a strategic bomber that would be much smaller, lighter and cheaper than the B-1. General Dynamics itself believes that the Air Force, which is now considering this programme, would get an aircraft that would have twice the range, and significantly greater weapons carrying capability than earlier F-111 versions. The future of the FB-111H will not be known, however, until studies of the future U.S. manned bomber requirements, now under way, are completed by the Department of Defence.

Military

Bell Helicopter Textron, which employs around 9,000 people at Fort Worth, has currently built more than 22,000 helicopters. Production at Fort Worth is concerned primarily with military and commercial single- and twin-engined versions of the turbine-powered UH-1 Iroquois, the AH-1 Huey Cobra armed helicopter developed from the UH-1, and military and commercial versions of the Model 206 Jet-Ranger. Bell is also now developing a new civil helicopter, the Model 222, a twin-turbine powered light aircraft, with accommodation for up to seven passengers. Deliveries of production aircraft are scheduled for 1979.

Finally, no discussion of the Texas role in aeronautics can ignore the airline scene. The U.K. has for some time been directly linked with Houston by the British Caledonian air service with Gatwick, while only this spring the big U.S. airline, Braniff International, has begun direct air services between Gatwick and Dallas/Fort Worth. Both those airports are among the largest in the U.S., with Dallas/Fort Worth handling well over 11m. passengers and 300,000 air transport movements a year, and Houston handling over 7m. passengers and 130,000 air transport movements.

Michael Donne
Aerospace Correspondent

Farming plays its part

IN ITS CAMPAIGN to project itself as a thrusting, industrial state, Texas sometimes seems to play down its agricultural base. Yet farming is still one of the most important sectors in the state's economy and outside the big cities there are still vast areas in which the latest weather forecast is of far greater interest to television viewers than the latest twist in the President's energy proposals. In a state where many areas do not have enough water, rain can be the crucial make or break factor. And this year, there has not been enough of it. Down in the south, farmers are burning the spines of cacti so that cattle can eat what is left.

Throughout Texas, cattle still outnumber people and, compared to the huge tracts of land devoted to farming, all but the biggest cities are mere pimples on the map. Fort Worth may not be the cow town it was at the beginning of the century, but cattle still graze close to the city limits and battered farm pick-up trucks—and even the odd horse—still vie with the Cadillacs in the streets.

Larger than half the countries in the world, the state is so big and the climatic conditions so varied that just about every conceivable crop is produced somewhere. Out in the far west lies the land of high mountains, cacti and mesquite trees which compete with the livestock for what moisture there is. To the east are the "piney woods," which produce pulp for paper, and the rolling cattle pastures of the coastal gulf. In the south lies the Rio Grande Valley, a sub-tropical region, which thanks to irrigation now acts as the state's market garden.

Crops

The state is the third largest agricultural producer within the country, with cash receipts last year of $6.6bn. About half came from livestock and the rest from crops, most notably cotton. Of all the states, Texas has the largest acreage—139.8m.—devoted to farms and it has the most farms. The size of some of its ranches is staggering. The King Ranch extends over more than 1,350 sq. miles.

Texans are not, by nature, a modest race. They seem to have an almost frenzied desire to prove with statistics that they are the biggest and the best. The Texas Almanac reads like a composite entry for the Guinness Book of Records. But in agriculture, they can justly lay claims to more records than most. With 14.5m. head of cattle last year, they were the biggest cattle producers in the country. Relatively low down the league table in terms of dairy production, they had the most beef cattle and the most cattle on feed. Texas also ranked number one in sheep and goats produced for mohair. In crops, the state is the biggest producer of cotton in the country. It can also claim to be top of the production table for watermelons and spinach, though only eleventh in corn production.

Farming in Texas, like that throughout the developed world, has changed dramatically over the last 30 years. Before World War II, most of the farms were largely self-contained, producing most of the supplies and power they required. The state was predominantly rural with over a third of its population living on farms. With mechanisation, all this changed, despite the availability of plentiful cheap labour coming in over the Mexican border which makes the new minimum wage requirements for farm workers fairly theoretical in some areas.

The two biggest changes have been the development of irrigation and feedlots. Around 60 per cent. of all the crops harvested are grown on irrigated land to-day. The availability of water has opened up land which was once thought totally unfit for man or beast.

The discovery of underground water also helped bring about the other major change in Texan farming since the War—the development of feed lots where calves are matured and prepared for the market. Once Texan cattle were shipped on the hoof to the Mid-West once they had been weaned: there was simply not enough feedstuff produced to support them in Texas. Now the state is the fifth largest producer of feed grains in the country and the majority of cattle are slaughtered in the state.

The feed lot industry, according to state agricultural department figures, grew by more than 500 per cent. between 1960 and 1976, representing a capital investment of more than $100m. Many of the lots are in the Panhandle in northern Texas, where large supplies of sorghum and other grains are available. In some instances, only four men are needed to run a totally automated food lot which can handle 20,000 cattle at a time.

The result of this increased automation, together with the moves to industrialise the state, has been to suck people away from the rural areas.

In 1970, when the last census was carried out, only 3.5 per cent. of Texans were still living on farms and ranches. Since then, the numbers are thought to have declined further. Last year, for the first time in five years, the amount of land devoted to agriculture fell. The decline was, in part, a reflection of the pressures which have been on farmers throughout the U.S. for the last three years. During 1973, when grain was in short supply throughout the world, the Texan grain producers had a heyday. The cattle ranchers who had to pay high prices for feedstuffs did less well, but, in general, 1973 and 1974 were good years for farmers. Back in 1968, when total farming receipts were standing at around $2.7bn. the state governor had set a target of increasing this figure by one billion dollars by 1976.

Prices

The target was exceeded in 1972 when receipts rose to $4.5bn. Much of this increase was due to higher world prices, but it was also a reflection of the concerted effort made by the state government that improved productivity among farmers. The following year receipts jumped to $6.8bn.

Since then, prices have fallen and the weather has been bad. In some parts of Texas, farmers have not had any rain for 18 months and the state has never exceeded its 1973 sales. Goat and sheep numbers have declined fast and with imminent closure of one of the biggest lamb processing plants, the sheep producers are faced with a serious marketing problem.

For most farmers, the costs of production have gone up faster than the prices they are getting on the market. But with so much of their land requiring irrigation, Texan farmers have been particularly badly hit by the rise in energy costs. Many grain growers have found themselves in a severe cost-price spiral and have lost money for two consecutive years.

Cattle ranchers have found themselves in much the same position. One of the bright spots has been the cotton crop which last year was the highest since the record 6m. bales of 1949.

The hard times farmers have experienced throughout the U.S. since 1974 has changed their attitudes. While Texan farmers had less to gain from the proposed farm price support bill than those in states which are more dependent on grain products, some regarded the eventual dilution of the bill as a betrayal and a sign that farmers counted for little in the capital.

Rednecks, who would normally despise anything remotely connected with long haired hippies, took their tractors into the streets and emulated the Vietnam and Civil Rights demonstrations with protests of their own. Those in Texas were not as big as in some other states, but the fact that the farmers bothered with such tactics at all was a sign of the times.

Not content with overshooting its earlier production target four years early, Texas has now set itself another goal: to become the largest agricultural producer within the United States. Whether it attains this goal depends not only on the performance of its rivals, but on water which in turn is related to the whole question of energy costs and supplies.

The underground water supplies, built up over centuries, are not being replenished and the water table is dropping in many areas of the States—especially in the west—by two to three feet a year. By 1985, according to some estimates, the huge Ogallala acquifier in West Texas will begin to decline as a source of supply. Then that area which stretches over most of the irrigated farm land in Texas could be forced gradually to return to dry land farming—that is agriculture without the massive benefits that irrigation brings with it.

By 2020, according to some estimates, the water sources now in place will be able to supply only half of Texas' productive land. But the state's voters have already turned down one scheme to bring new water into the state as too expensive. Nevertheless it seems likely that new sources of water will be tapped.

There is simply too much at stake to let water supplies run down. The value of farm production may only total $6.6bn., not much more than tourism. But its impact on the economy is far bigger. When food processing, distribution and the rest of the "agribusiness" is taken into account agriculture generated about $23bn. in the Texas economy—a sizeable figure by any standards.

E.G.

LOMBARD

Taxing the car leases

BY MICHAEL BLANDEN

ONE OF the minor surprises of last month's Budget was the absence of any specific measures to hit at tax avoidance through the leasing of cars. This is an issue which has been exercising both the revenue authorities and the instalment credit industry as a result of the recent promotion of a number of schemes designed to provide benefits to executives.

The reason for the lack of new moves in the Budget, however, was that the revenue authorities feel that they have quite enough powers under the present legislation to put a stop to something which both they and the finance industry at large regard as a fringe operation.

Tax schemes

The schemes involved, promoted by a number of small businesses in the leasing sector, though complex in their technical detail are essentially simple in their basic conception. They are openly acknowledged as purely financial and tax schemes and relate specifically to the leasing of cars.

The general idea, subject to variations according to the individual company involved, is designed to appeal to companies and individuals with potentially high tax liabilities. A company will lease a car from a leasing company. The leasing company gets the benefit of the first-year capital allowance on the purchase of the vehicle, while the customer in turn can in certain circumstances claim tax deduction for his rentals.

At the end of the normally two-year lease, the vehicle cannot be sold direct to the company which is the leasing customer since this would remove the tax advantages. But it can be sold to a nominated director or employee of the company concerned. Under these schemes, the idea is that the car is sold off at a value far below its real worth in the second-hand car market. Typically the price is 10 per cent. of the original capital cost

The result then is that the executive has a car for which he has paid well under the odds, which he can either keep for his own use, or can sell off at a substantial profit which is not subject to capital gains tax. It is this last option which tends to be emphasised by the promoters of these schemes.

Apart from the fairly obvious implication that this is a method of getting round pay restrictions by giving executives an extra benefit, schemes of this kind are regarded as taking advantage of a legitimate form of finance in order to avoid taxation.

Mr Basil Damer, the secretary of the Equipment Leasing Association, stated plainly in his letter to the Financial Times on Monday that his members believed some of the car leasing schemes now being made available, "especially those which give the impression of tax-free gains for employees," were "objectionable," and he dissociated his members from them.

The Revenue, however, has a number of ways in which it can hit these schemes, and the evidence is that it is now prepared after giving adequate warning to use the powers at its command to put a stop to the system. First there are ways in which the company which leases the car in the first place — the lessee — can be denied its deduction for the rental which it pays over the two-year period of the lease.

Secondly, the final benefit to the employee or executive who buys the car at the end of the lease could be questioned. It is true that the profit made by reselling the car would not be subject to capital gains tax. But it is thought more than likely that the Revenue could charge the employee to income tax in one way or another under Schedule E for the equivalent of the benefit he has received.

The Revenue may also have ways of hitting as the leasing company itself. The viability of the leasing operation depends to a very considerable extent on the ability of the company which owns the equipment to claim first-year investment allowances on the purchase. The authorities may be able to hit at this in one of two ways.

First, if the individual who eventually buys the car is able to escape income tax on any benefit involved, then the leasing company could be obliged to bring the full open market value of the car on sale into its calculations of capital allowances, whatever the price it actually received.

Secondly, there is some doubt over the position of the leasing company in relation to qualifying for first-year allowances on the purchase of the car. If the agreements being promoted always lead to the sale of the car to the director or employee within two years, the revenue authorities might well argue that the equipment is not held as a capital asset at all but should be treated as stock in trade in the hands of the leasing company and therefore as not attracting first-year allowances.

One way or another, therefore, the combined weight of the authorities and the established instalment credit and leasing companies looks likely to stamp hard on the fringe car leasing schemes.

Dreams of dry days long ago

GARDENS TO-DAY

ROBIN LANE FOX

DRY GARDENS seem like a happy dream this year. My tulips have been standing in two inches of water like a crop of rice. It has not been a good winter for plants with which we have taken a chance. Silver-leaved plants have been hit very hard by the wet winter and the spring frosts. If you have lost them, you are not alone. Far too many of the best hybrid Pinks have rotted quite suddenly and must now be written off. Their needs must be carefully balanced: rich soil and food at the roots against sharp damage and dry necks in the winter months. Pursuing the former, I have now lost the best after one luxuriant year. The replacements will go into light, gritty soil which drains reliably. All food will come from above, through watering-cans of liquid manure. The drought of 1976 must not divert common-sense.

Contrasts

To write the first book called the *Dry Garden* (Dent; £6.50) and publish it this month seems, then, to be rather inopportune. But the authoress, Beth Chatto, has earned her name as a grower of unusual plants. She took two Gold Medals from the RHS last year for her exhibits of less usual perennials. These stood out for their use of subtle leaves and elegant contrasts of form. Her nursery-list, from White Barn House, Elmstead Market, Colchester is a useful source of plants which are otherwise scattered in ones and twos over too many different catalogues. Most of them can be increased freely by the alert gardener after a year or two, so only the impatient will hurry to buy in bulk and complain, as usual, at the cost.

For the most part, they prefer a dry site. As she reminds us, dry gardens are a problem which trouble us all once or twice a decade. But gardeners east of London, in the clay of Essex, Suffolk and Norfolk, have to live with weeks of drought in almost every season. For these counties and, of course, for European gardeners in a prospect of *maquis* and bare *garigue* her book and nursery are a useful new source of ideas.

She agrees that watering during dry weather does more harm, usually, than good in a flower-garden; because it is usually kept up too briefly and too sparsely. She does not have any startlingly new tips, but suspects, as I do, that the failure of 2 4-D selective weed-killer to kill off bindweed for some gardeners, not others, may be due to the habit of applying it too strongly, doubling the dose as if that doubles the impact. If you dab too strong a solution onto the leaves, it scorches the top-growth but does not work steadily through the roots.

As for that wild hope, a quick evergreen hedge which is not feathery or coniferous, she points out that plain *Cotoneaster Lacteus* is almost evergreen.

It can be spaced four feet apart, should be trained up onto wires and with her, in Essex, "made a dense hedge over six feet high in three years." Loose young shoots are tied horizontally onto the wire. It is not a very exciting plant, but I agree that it works well and quickly.

In the dry garden, what do you do with dry shaded corners? These are always difficult, but I would underline her favour for the newer Continental hybrids in the Snowberry Family, "Mother of Pearl," and so forth, which bear big crops of fruits like white marbles. They are shy about suckering and do not go much over three feet or so. They are newish, and good. Often, Mrs. Chatto returns, too, to an improved form of our native Iris, the one whose leaves smell so oddly of freshly-roast beef when you break them.

In itself, *Iris Foetidussima* is a useful evergreen plant, but she grows and sells a form called *Citrina*. Its small flowers are yellow, pencilled with brown, whereas the usual forms are only a poor mauve-blue. Its big seed-pods split open in autumn and show brighter orange seeds than the plain old hedgerow sort. The seeds are an exciting sight in any form so this easy *Citrina* sounds like a very sound buy. It will divide into several clumps after a year or two.

Surprisingly, the lovely Bowles' Golden Grass has satisfied Mrs. Chatto as a good plant for dry shade. I am prepared to believe her but this grass is usually seen in richer surroundings where those beautifully golden small clumps of leaves are such a sight at this time of year. Certainly, it hates to be in the sunlight. Sold as *Milium Effusum Aureum*, it seems even more valuable after her experience of it. It can still settle down as a six-inch high cover under those groups of shrubs in corners which need to be brightened up. If you do not know it, track it down, as it is such a good and easy plant. It too will increase quite readily, so dry gardens need not go short of it.

Out in the sunlight, there are other East Anglian advices which, she claims, have proved their worth. New Spurges arrive quite often onto the market, some hardier than others, but one *Euphorbia Seguieriana Niciciana* gets as good a press as anything in this book. Like a less-invasive green-yellow *Cyparissias*, it is recommended here as a plant which flowers from May till August and remains neat and fresh in its light leaves throughout the season. Mixed with the better known pink *Gypsophilia* Rose Veil, a fine plant is in Mrs. Chyto's "loveliest thing" in high summer.

I would hasten to try it as there are few better families for a dry garden than the Spurges, native to the bleakest hillsides in nature. But the small ones are mostly unstoppable or half-hardy. If this one proves itself outside Essex, it will be a blessing. Worth a try, anyway.

For once, old roses do not attract much praise from an Essex gardener, for this is a proven list of plants with fine leaves and form, as much as flowers. At times, perhaps, the plantings seem a little too strident for my taste, too many purple leaves among golden clumps and interlocking mangles of strapping Reddish Hot Pokers. But the best advice for unusual circumstances is always the advice of gardeners who have had to live with them for 15 years. This book helps to show up a gap. Two summers ago, I would have hurried to buy big thistle-like Eryngiums and those yellowish Pokers called *Northiae*.

Memory

But now, the drought is only a memory: two or three more years of this intolerable weather, and there will be an even bigger market for a companion volume from a West Coast expert on sodden gardens for us poor old sodden gardeners, with chapters on how best to paddle among wallflowers in order to cut off their spring dead-heads.

Leonardo da Vinci odds may tumble if he wins to-day

RACING

BY DOMINIC WIGAN

IF LEONARDO DA VINCI can come through this afternoon's Mecca-Dante Stakes test with flying colours there seems every possibility that he will go to post at Epsom as a short-priced favourite for the Derby as Try My Best was for the 2,000 Guineas.

There is little doubt that Mr. Daniel Wildenstein's colt deserves his position at the head of the Derby market. However, present odds of 11-4 seem to reflect the potential Leonardo da Vinci clearly possesses and to a lesser extent the respect held for Eddery's view—"the best horse I have ever ridden"—rather than anything the Brigadier Gerard colt has accomplished.

Having said that, I shall be disappointed if Leonardo da Vinci cannot extend his unbeaten run at York.

There was no getting away from the ease with which he toyed with such useful performers as Nicholas Bill and Philodantes in the White Rose Stakes at Ascot last time out after an almost equally impressive Wood Ditton victory over Chop Gate. And with only two races behind him, further improvement can be expected.

Remainder Man, who might have taken Roland Gardens to a photo finish in the 2,000 Guineas had he not been forced to change positions inside the final furlong, is sure to come in for heavy each-way support from backers not prepared to take a short price on Leonardo da Vinci.

He may fit the bill, but my own idea of the best win and place bet is Julio Mariner.

This well-made Blakeney colt owned by Captain Marcos Lemos without doubt would have landed Britain's most valuable event for juveniles, the William Hill Futurity at Doncaster last autumn but for meeting considerable difficulties in running.

Connections consider him sufficiently well forward to run really well here. At expected odds of about 10-1, he could provide better value in this nine-runner event than the favourite, who will probably start at about 5-4 on.

One of the features of the season to date has been the remarkable running of Yamadori, who at the age of six has never been such a force. Chester racegoers were treated to a tremendous exhibition by the Mountain Call horse and Lester Piggott when the combination swooped to land the Earl of Chester Handicap last week and they seem to have a good case for following up in the Hambleton Stakes.

If Leonardo da Vinci proves the "good thing" many consider him in the feature event, Chop Gate trained by Henry Cecil for his mother-in-law Lady Murless should surely win the Glasgow Stakes.

A major gamble on Brother Kempinski came unstuck at Sandown towards the end of last month when Rhyme Royal wore him down in the closing stages of the Esher Cup, and those backers thwarted there may feel tempted to switch to conqueror in the Sledmere Handicap.

The Queen's gelding seems certain to take a tremendous amount of beating—even under the formidable steadier of 8 st 13 lb—and I have no intention of opposing him.

YORK

2.00—Frith's Fancy
2.30—Disco Volante
3.05—Leonardo da Vinci**
3.35—Yamadori
4.05—Chop Gate***
4.35—Rhyme Royal*
5.05—Hot Shot

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40 a.m. Open University. 9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Bagpuss. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Bailey's Comets. 4.40 The Canal Children. 5.05 John Craven's Newsround. 5.10 Think of a Number.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide: Peter Parker, Chairman of British Rail.
6.55 The Wednesday Film: "Mackintosh and TJ," starring Roy Rogers.
8.30 The Liver Birds.
9.00 Party Political Broadcast by the Conservative Party.
9.10 News.
9.35 The Dick Emery Show.
10.10 The Diplomatic Style of Andrew Young.
11.00 Tonight.
11.40 The Sky at Night.
12.00 Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales—5.10-5.40 p.m. Bilidowcar. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.20 Bugs Bunny. 7.25 Taste for Adventure. 8.00-8.30 In Our Nature. 12.00 News and Weather and Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 12.00 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.35-10.10 Spotlight on Northern Ireland affairs. 12.00 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40 a.m. Open University.
10.35 Gharbar.
11.00 Play School.
11.25 Open University.
4.55 Open University.
7.00 News on 2 Headlines.
7.05 Mr. Smith's Flower Garden.
7.30 Newsday.
8.10 Bioscope Days.
8.30 Landscapes of England.
9.00 Party Political Broadcast by the Conservative Party.
9.10 Call My Bluff.
9.40 Play of the Week: "Ice Age," by Tankred Dorst.
11.40 Late News on 2.
11.50 Closedown: Reading.

LONDON

9.30 a.m. Schools Programmes. 12.00 Here Comes Mumfie. 12.10 p.m. Rainbow. 12.30 Sounds of Britain. 1.00 News plus FT Index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Racing from York. 3.50 The Electric Theatre Show. 4.20 How. 4.45 A Bunch of Fives. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 Nurse of the Year.
9.00 Party Political Broadcast by the Conservative Party.
9.10 Faces of Communism.
10.10 News.
10.40 The Midweek Match: Scotland v Wales.
11.40 Fireside Theatre.
12.35 a.m. Close: Rudolph Walker reads a Caribbean poem by Rick Ferreira.

All IBA regions as London except at the following times:

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 11.40 Baretta. 12.35 a.m. The Big Question.

ATV

1.20 p.m. ATV Newsdesk. 3.50 The Sullivans. 5.15 Mr. and Mrs. 6.00 ATV Today. 11.40 Drive-In.

BORDER

†1.20 p.m. Border News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 Lookaround Wednesday. 11.40 Gibbsville. †12.30 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 6.00 Channel News. 6.10 Castaway. 9.00 Review. 10.38 Channel Late News. 11.40 Westside Medical. 12.35 a.m. News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 3.50 Survival. 6.00 Grampian Today. 6.25 Police Newsroom. 11.40 Reflections. 11.45 Mavis—Wanting to Know. 12.15 a.m. Grampian Late Night Headlines.

GRANADA

1.20 p.m. This Is Your Right. 3.50 The Jetsons. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. 11.40 Gibbsville.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 The Slaughters at Dairy Lane. 11.40 Man and Woman.

HTV Cymru/Wales—As HTV general service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV general service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 p.m. News and Road Report. 2.00 Women Only. 3.50 Mr. and Mrs. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Wilkie on Water. 11.45 Late Call. 11.50 Pro-Celebrity Snooker.

SOUTHERN

1.20 p.m. Southern News. 2.00 Houseparty. 3.50 Survival. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day By Day. 11.40 Southern News Extra. 11.50 The Butlin's Grand Masters Darts Championship.

TYNE TEES

9.25 a.m. The Good Word followed by North East News Headlines. 1.20 p.m. North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 11.40 Landscape. 12.10 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Solo One. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 11.40 Horses in our Blood. 12.05 a.m. Bedtime.

WESTWARD

12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 10.38 Westward Late News. 11.40 Westside Medical. 12.35 a.m. Faith For Life.

YORKSHIRE

1.20 p.m. Calendar News. 3.50 Houseparty. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 11.40 Darts.

RADIO 1 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk (joins Radio 2). 8.00 As VHF. 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

VHF Radios 1 and 2—5.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 8.00 Listen to the Band (S) (continued from Radio 2 at 7.33). 8.15 Semprini Serenade (S). 9.02 The Bob Hope Story. ...

RADIO 2 1,500m and VHF

RADIO 4 434m, 330m, 285m and VHF

RADIO 3 464m, Stereo & VHF

... posers: Respighi and Casella. 9.50 Music for Organ (S). 10.30 Bartok and Schubert concert (S). 11.15 Claude Helffer piano recital (S). 11.55 BBC Northern Symphony Orchestra (S). 1.00 p.m. News. 1.05 Concert Hall (S). 2.00 The Exotic Sound of . . . (S). 2.05 Music for Forte-piano (S). 2.55 Contemporary German Music, part 1 (S). 3.30 Interval Reading. ...

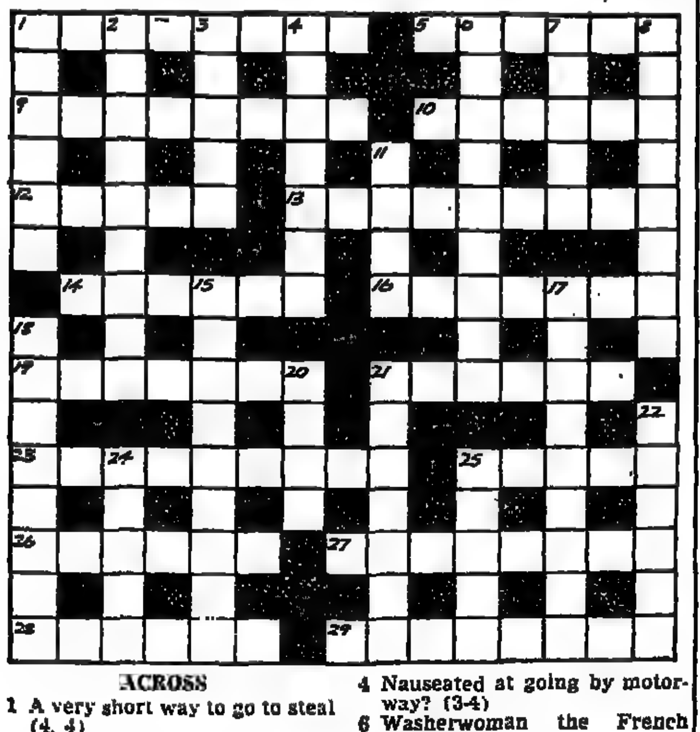
... 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather: programme news. 6.00 News. 6.30 Quote . . . Unquote (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 The Brains Trust File from the BBC Sound Archives. 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The ...

BBC Radio London 206m and 94.9 VHF

London Broadcasting 261m and 97.3 VHF

Capital Radio 194m and 95.8 VHF

F.T. CROSSWORD PUZZLE No. 3,669



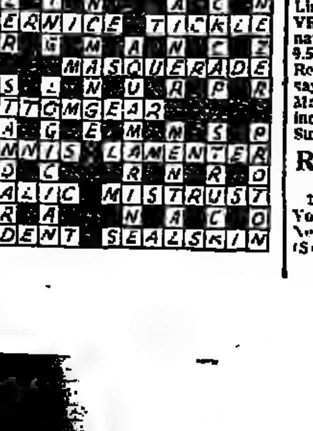
ACROSS

1 A very short way to go to steal (4, 4)
5 Note illumination on the wing (6)
9 There is dirt on the defender against dirt (8)
10 A certain way is the safest (6)
12 Thread left to land in sea (5)
13 I am to act as peacemaker at once (9)
14 Company has a measure of foreign money (6)
16 Supporter of board that might fold up (7)
19 Enjoy amusement vigorously (4, 3)
21 How to finish up in good spirits (6)
23 Acquaintances of loud story tellers include French friend (9)
25 Plenty of beer member gets in (5)
26 Heavily beaten when directed by AA (6)
27 The two of us will fit surprised expression (4, 4)
28 Mean to study part of Bible before beginning of Easter (6)
29 Temperature contour is nothing to the marine (8)

DOWN

1 Consecrated motorway included in sermon (6)
2 Cuckoo-flower earning uncommon woman's jeer (4-5)
3 Accustom one Pole to go on river (5)
4 Nauseated at going by motorway? (3-4)
6 Washerwoman the French strip (9)
7 A girl screened in a meagre taffetta dress (5)
8 Tied up there leaving Ted outside (8)
11 Skip out of room itself (4)
15 Radiant when there's e.g. fun left for transformation (9)
17 Follow bit of an appendage (9)
18 Everybody dismissed excessively (3-5)
20 Elegant cattle (4)
21 Scatters pies with LSD (7)
22 State of confusion could drive me bald (6)
24 Regret giving doctor a tea dispenser (5)
25 Distribute a rising tax (5)

Solution to Puzzle No. 3,668



ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office.

OPERA & BALLET

THEATRES

CINEMAS

Television

The appeal of the "real"

by CHRIS DUNKLEY

W. G. Hoskins is one of my favourite television people. Not that he could be considered a "television personality" of course—there is nothing of Willy Rushton or Zsa Zsa Gabor about W.G. Nor is he a television person in the sense of being involved full time in programme production. He is the professor who wrote "The Making Of The English Landscape," and he is currently appearing complete with rosy cheeks, pork pie hat and stone coloured windcheater on BBC2 as the presenter of a second series of *Landscapes Of England.*

It is not easy to define exactly what it is about Hoskins and his programes that is so likeable and admirable, but a good deal of thought and comparison leads to the conclusion that he is one of a very small number of people who make what I consider to be "real" television.

Perhaps it seems absurd to categorise nine-tenths or more of the material on the box as other than "real" television, yet there *are pretty good grounds for doing* so. Take so-called television drama for instance: a large proportion of it has always been quasi theatre, and would be more enjoyable and (judged by all criteria other than audience size) more successful presented live on stage.

Old movies are without exception adulterated cinema. Music programmes, with rare exceptions, provide a second best and usually secondhand approximation of the "real" experience available in a concert hall, opera house or discotheque. Even the exceptions suffer from the appalling sound systems on most TV sets.

With news bulletins and the regular current affairs programmes we come nearer to true television, yet even here the alternative sources—newspapers, magazines, radio—are often superior, providing both a wider selection of material and greater detail.

Via this process of elemination "real" television turns out by my definition to consist almost exclusively of personalised non-fiction. This ugly phrase covers a number of programme types—including sports shows which, thanks to editing, replays and commentary have become something *sui generis* and not just secondhand events.

The main variety, however, is that typified by *Landscapes of England.* Almost invariably such programmes come in series, naturally they are most successful when dealing with particularly visual subjects (landscape, fine art, animals), usually they are clearly opinionated, and often they are didactic.

Unlike so many drama, music, news, or discussion programmes they would not be improved by being transferred to some other medium. In fact they can be considered "real" television precisely because it would be quite impossible to transfer them successfully to any other medium.

The form can vary from travelogue (*Whicker's World*) to lectures on art (*Civilisation*) or history (*John Julius Norwich's* recent *Chronicle* on the Knights Of Malta) or—as in Hoskins's case—geography. Some of the men involved (not a single woman comes to mind) seem to have been born to the job (Alistair Cooke and Robert Kee), some have achieved it by way of other careers (John Betjamin and Alec Clifton-Taylor), and some have had it thrust upon them (Jacob Bronowski and—in BBC1's *Face Values*—Prince Charles).

But the most important point is that every successful programme within the genre has been presented by a man with a fondness for his subject bordering on the obsessive or the infatuated. Thus the first in the new series of *Landscapes of England* opened with some glorious film of the Cornish seashore photographed by Nat Crosby from a helicopter, while on the soundtrack Hoskins, in his usual calm tones, delivered these provocative words:

"For me, perhaps because I know it too well, this is scenery rather than landscape. In fact it is rather like looking at a pretty woman who has no intelligence. I expect a landscape to speak to me and to ask questions, in fact to pose problems. Now, merely pretty scenery does not."

You need to be able to back up your opinions with some fairly hefty rationalisation if you are going to refer to the majesty of a Cornish cliffscape as "merely pretty" and of course Hoskins backed his point up to the hilt. Moreover he finished a neat full circle at the end of the programme by enthusing over the huge dishes of the Goonhilly satellite relay station which he called "one of the most marvellous sights in England."

He explained: "What caps it all is the way that as you approach the great saucers there are circular barrows, the burial mounds of Bronze Age men, and it is the combination of those 4,000-year-old burial mounds and Goonhilly Earth Station which is to me a magnificent conjunction of the ancient and the future worlds. Goonhilly is obviously not just scenery, it is pure landscape."

In the 25 minutes between these two nicely juxtaposed comments, Hoskins read the Cornish landscape to us (as he read the fox-hunting landscapes of Leicestershire the following week, and will no doubt read Derbyshire tonight) inducing in the viewer that same sense of magical insight as the blind man reading Braille induces in the sighted onlooker.

Iris Portal marries a British officer serving in the Indian Army in 1927. Her story was featured in BBC 2's Tales of India—a 'Yesterday's Witness' series

Though W. G. Hoskins presents it at its purest, this business of man-in-landscape is a far more common subject for programmes than it might seem on first thoughts. In just the last 10 days we have also seen Don Haworth's sympathetic film about John Wilson and the "Place For A Million Birds" that he looks after at Morecambe Bay, in BBC 2's *Living on the Land* series; and in the ever interesting *Network* slot (also BBC 2) a film about the Lake District as seen by Bob Orrell from the back of a fell pony.

Considered simply as a film *By Packhorse Through Lakeland* lacked the seamless welding achieved on *Landscapes of England* by producer Peter Jones and film editor Alan Lewens. But then we cannot expect to find their sort of top class professionalism on every single programme made in every single region of the BBC. What did characterise *Packhorse* was that same strong sense of the first person singular which marks so much of "real television."

It is the same phenomenon which lends such powerful appeal to *Yesterday's Witness*—though this long running intermittent series has always had the other (and doubtless more important) claim on our attention that it is snatching a quite irreplaceable variety of history out of mid air. Last week's episode, "Memsahibs," in the current series *Tales of India*, with its three very English ladies in their very English clothes and perms sitting in very English armchairs telling very Indian stories, had all the evocative power of a Kipling (and I don't mean the programme's *rostrum* cameraman Malcolm Kipling).

Most telling of all however—though in a negative sense—*is Face Values*, BBC1's further education series which was presumably supposed to do for anthropology what the Hoskins programmes have done for the landscape. Unhappily they have turned out to be a disastrous mess, but if they were actually put together in the way that they *appear* to have been put together, that is scarcely surprising.

Instead of using a single, personable narrator/presenter to work with a producer (or several producers as in *The Ascent of Man*) to gather what material he wanted from diverse sources to illustrate his thesis, *Face Values* appears to have done the opposite. The work of six anthropologists operating in six areas scattered around the globe has been brought together, cut up and arranged under various broad headings such as sexual divisions, use of space, and rituals, and then—the key to everything—Prince Charles (who did a year's anthropology at Cambridge, remember?) has been used after the event as interlocutor with the various anthropologists.

It does not seem to have dawned on the producers that the acutely embarrassing little confrontations during which the anthropologists sit alone on a huge settee in palatial surroundings facing the double-breasted Prince to answer his generally poorly phrased questions actually tell us far more about British society circa 1978 than all the specially shot film of Bolton birthday parties or Kendal camp sites.

It is a great pity: most of the raw ingredients for some real television were there, but what we have ended up with looks like *Nationwide's* idea of *Disappearing World.*

Domingo withdraws

Placido Domingo, who was to have sung the Duke of Mantua in the Royal Opera's *Rigoletto* on May 27 and June 2, 6 and 9, has withdrawn for personal reasons.

Peter Dvorsky, who was to have sung the role on May 17, 20, 24 and June 15, has had his leave of absence withdrawn in Czechoslovakia but will be available for May 24 and 27.

Ryszard Karczykowski will now appear as the Duke of Mantua on May 17 and 20 and June 2 and 6, and Alfredo Kraus, who last sang the role at Covent Garden two years ago, will sing on June 9 and 15.

ENO North appointments

Ian Killik has been appointed orchestral manager for English National Opera North and John Pryce-Jones chorus master.

Ian Killik joins the company from London Festival Ballet while John Pryce-Jones has been associated with the Welsh National Opera for several years.

Regent

The Club

by B. A. YOUNG

It has come, the great feminine counter-attack, the hit-back at Hinge and Bracket, the revenge on Danny La Rue—an all-girl anti-drag show. Seven comely young women have dressed themselves in top-hats, white ties and tails, and with the aid of a script by Eve Merriam and two dozen popular songs published at the start of the century they show us what it was like in an exclusive American men's club.

What it was like is terrible. They told each other limericks such as we used to laugh at at school, and recited rhymes familiar in every sergeants' mess. They rehearsed for their annual jamboree, a performance of *The Climbers* by Clyde Fitch. Worse of all, they continually sang these songs, "All the girls are loverly-overly," "Peggy's leg," "The girlie with the baby stare," "Pinky panky poo," "He reminds her of his father." Mercifully, it is all over in an hour and a quarter.

I wonder who invented that subvervise phrase "the good old days?" It opens a Pandora's box of the most dreadful entertainment. What appalling songs these are! *How* atrociously they are sung! How badly the dancing routines are synchronised! How unspeakable the one-line jokes that separate the numbers! I simply can't imagine how actresses like Linda Thorson and Joyce Grant can have got themselves involved in such a farrago of inanity.

I *suppose* I *shall be* told that it's all supposed to be a send-up. But it *isn't a send-up*, there is no hint of the criticism or analysis that is needed in a parody. It's just an extraordinary mad whim on somebody's part, that, even with direction by Tony Tanner (who *could have done* with another week or two of rehearsal), falls as flat as a spoiled soufflé from end to end.

Anything to be salvaged? Well, there's a handsome set by Saul Radomsky; and if she were given some decent material I think I should have liked Shirley Allen, a diminutive black girl with a round head. Also I am glad to have learned the origin of the saying that a woman is only a woman, but a good cigar is a smoke. It's a song by Victor Herbert, no less.

Linda Thorson

Watford Palace

The Lady From The Sea

by MICHAEL COVENEY

It is enterprising of Watford to have produced Ibsen's rarely seen late play about the lighthouse keeper's daughter who belongs to the sea and prevents her marriage from running aground by settling for domesticity on dry land.

It is a daunting role, famous for Eleonora Duse's otherworldly interpretation. Alison Fiske, suburban and brisk, invests Ellida with much good sense but little sense of danger. The crux of the drama lies in a successful campaign for the freedom to choose between the maritime Stranger who returns to claim his beloved and the good-hearted Wangel with two daughters by a previous marriage.

If the play is about Ellida's right to choose, it is also about Wangel's acknowledgement of that right. She can only leave him for the unknown deep by exercising free will but, at the same time, she is desperate to be saved. While Ellida—the name, it is pointed out, is that of a ship—does indeed have a life that others in the little fjord town cannot share, she is clear in her own mind that she loves Wangel. The Stranger exerts a dark hold over her, embodies the attraction of terror without the guarantee of a lasting happiness.

Nikolas Simmonds's production scales everything down to fit the controlled, rather English level of Miss Fiske's emotional expression. Thus Peter Marinker's Stranger is a low-key Scot with a jacket slung over his shoulder and Richard Butler's Wangel an upright, considerate figure comparatively unmoved by Ellida's histrionic outbursts.

There is an enriching parallel to the main action in the wooing of Bolette, Wangel's elder daughter, by a pernickety school-teacher. She rejects his offer of friendship but agrees to marry him! This brilliantly written scene gains added irony from the fact that Arnholm originally answered Wangel's summons because of his former devotion to Ellida; and the theme of doomed relationships is reiterated in the figure of a consumptive sculptor who carries a torch for Bolette but is paired off with the younger daughter who finds him ludicrous.

The playing of these subsidiary characters is competent enough but lacking in depth. This, after all, is Ibsen's most Chekhovian play, with a little family community forming alliances against a background of sunshine and holiday cheer. This is a dimension wholly lacking in the production, and matters are not helped by a dismally unimaginative design. Still, the play is undoubtedly a collector's item even though intending patrons should be warned that this particular lady is probably from Frinton-on-Sea.

Festival Hall

Spells

by MAX LOPPERT

Richard Rodney Bennett's *Spells*, first given at the 1975 Three Choirs Festival, was on Monday introduced to London by the Bach Choir. It proved to be a prime example of Bennett the seasoned professional, for it is music grateful to sing and to play that at the same time serves diverse purposes not always easily reconciled in the same piece. It encloses a juicily dramatic solo soprano part, tailored to the fearless, far-flung vocalism of June Manning, within movements for a large choir in which Bennett's familiar seriol idiom is allied to a comforting singability of line and to a splatch of brilliant orchestral colours.

Six poems by Kathleen Raine, each an incantation of a different kind, have been placed in a dramatically effective order. First, third and fourth of the six separate movements are for choir (the fourth *a capella*); second and fifth are for sopranos; towards the close of the sixth, "Spell of creation," all forces briefly combined. The setting of each poem evinces an appreciable concern for the special colour, texture, and atmosphere of the verse. The sum of the six movements is a fastidiously fashioned whole in which Bennett's care for balance and variety of effects compels admiration.

And yet, as one so often grudgingly feels on encountering the big Bennett commissions, made to order and delivered with a flourish, there seems little more to *Spells*, for most of its length, than its surface. A kind of instant predictability makes itself felt in the work, a deadening familiarity. This is not so much because these scurrying *sforzando* figures or those sudden touches of percussion glitter are easily recognised Bennett fingerprints, or because influences on the choral writings are quickly detectable (the wintry start of Britten's *Spring Symphony*, for instance, in the opening "Spell against sorrow") but because the imaginative engagement with the poetry lacks any touch of the unexpected.

In the fifth poem, "Love spells," an angular vocal line sends the solo soprano high above and then deep below the stave around the repeated invocation, "Bring my lover." Brittle, edgy orchestra punctuation separates the vocal phrases, increasing the melodramatic effect. This is, certainly, the single movement of the work which strikes the ear as more than fluently unmemorable.

Of *Spells* the Bach Choir and the Philharmonia under David Willcocks gave a confident reading. Praise for Miss Manning's singing, with its spot-on musicianship, clear words, and air of total involvement, would be unspotted but for vibrato a degree more obtrusive than usual, which interfered with some of the more lyrical outpourings. Miss Manning's tone was similarly a little unclear for the soprano solo of Herbert Howells' *Hymnus paradisi*, which began the programme and in which the excellent tenor was Martyn Hill. Because the chorus showed an impressively full-hearted commitment to the work, its impact was far less mild and *self-effacing* than it can be. An extra rehearsal or two would not, however, have come amiss in the interests of greater all-round cohesiveness.

Casting complete for Cottesloe premiere in June

Casting is now complete for the British premiere of *American Buffalo* by American dramatist David Mamet, which opens at the National's small Cottesloe Theatre next month. The three characters will be played by Michael Feast, Dave King, and Jack Shepherd.

The director is Bill Bryden and the designer Grant Hicks. The production opens on Wednesday June 28 (previews June 22, 23, 24, 26 and 27).

Wigmore Hall

Anne de Dadelsen

by RONALD CRICHTON

The pianist Anne de Dadelsen, who made her London debut on Monday, was born in Paris and trained in Geneva and Zurich. She is half English. What I was able to hear of her recital revealed strong fingers and strong feelings about the well-chosen music she played. She found her form in the ever-astonishing finale of Mozart's A minor Sonata (K310), that rondo where intense emotion is kept within formal bounds that only just contain it but do so with the utmost sureness of step. Miss de Dadelsen carried the high tension she reached in this movement straight over into Janacek's *In The Mist*, and carried the listener's interest as *well with some forceful idiomatically coloured* playing.

Janacek was followed by *Honegger*—a bold and not entirely successful choice. Honegger, once the OK Swiss composer, now appears less interesting than either of his slightly older contemporaries and compatriots, Schoeck and Martin. *The Seven Short Pieces* sounded lightweight after Janacek not because they are sometimes flippant in the manner of The Sixth, but because they are often serious at a lower level of originality — ancient balletomanes may remember them from André Howard's *Lady into Fox*. All the same the third and fifth of the set, as Miss de Dadelsen made clear, are attractive by any standard. I was *sorry* to miss Schumann's *Kreisleriana* in the second half, but was consoled by the fact that this pianist will surely come again to show what she can do in romantic music—from her biographical note she evidently specialises in composers like Dussek, Raff and Goetz.

What drew me away was the thought of Radio 3 taking the EBU broadcast from the Philharmonie in Berlin of the early Strauss opera *Feuersnot*, recently given a London concert performance by Chelsea Opera Group in the Camden Festival. The Berlin one was done by the Rias Choir and Symphony Orchestra with the Tölzer Boys Choir, conducted by Erich Leinsdorf. Very rewarding it was, with the big role of the hero Kunrad sung with sustained magnificence of tone by John Shirley-Quirk. As the heroine Diemut, Gundula Janowitz produced some splendidly tightly-knit phrases but also others that were tight in the wrong way—almost shrill. The men were altogether strong, with two fine basses, Helmut Berger-Tuna and Klaus Lang as Mayor and Innkeeper. That so many countries including the U.S. should be able to hear a rarely performed but not in the least recondite opera, in a top-level performance, is an admirable thing.

Sadler's Wells

Kathakali

Quite early on in the *Ramayana*, opening offering of a three-work Kathakali season at the Wells, the heroic Rama and his brother Lakshmana come on stage to find Jatayu, the giant bird, dying. Green-faced (because they are good characters), their chins frilled with an impasto of rice-paste, gorgeously dressed in billowing skirts and topped with shimmering silver mitres, the two heroes are figures of extreme beauty. How this can be so, how we accept the elaborate ritualisation of manner and of appearance, and the wi'l mixture of tragedy and grotesque comedy, is part of the joy of Kathakali performance.

We recognise, and are moved by, the serenity and quasi-divinity of Rama and his family. They look beautiful; they are beautiful. We accept quite as happily the lunatic capers of the bad (red-faced) characters, their eyes flashing and rolling furiously through phenomenal incrustations of paste and paint, lips and tongues quivering, silver-nailed hands flashing. And as Jatayu the bird dies, a sense of sorrow and regret cuts across any incomprehension we may feel when faced with this thrilling but alien theatre art: it is a moment of great sadness as the wings are stilled and the bird sinks to the ground.

But much of the opening performance on Monday was vastly amusing. Kathakali combines religion, history, dance, in a language that contrives to be both popular and aristocratic. Much of the comedy falls to monkey-folk, and the antics of the quarrelling Sugriva and Bali—one cowardly the other boastful—are clowning that crosses every barrier of language and culture. Grunting and yapping at each other, flailing about with small branches of trees, they are entirely real as characters—part of the magic of Kathakali is that personality is refined and sharpened in the ritual of performance.

We are shown only sections of the *Ramayana* (these dance-dramas can last up to ten hours), but once having read the very sensible programme notes, the events of the tale are clear, and the intricacies of narrative become fascinating. Despite a harsh, unyielding lighting—Kathakali should be seen by the light of fires—the magnificence of costuming, and the brilliance of performance from this ten-man troupe, are clear to see. The visit is for two weeks, and I look forward to reporting on the two further programmes—the *Mahabharata* and the *Sons of Pandu*—which are to be seen in repertory with the *Ramayana*.

CLEMENT CRISP

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Israel and the U.S.

MONDAY NIGHT'S vote in the U.S. Senate in favour of President Carter's plan to sell military aircraft to Israel, Egypt and Saudi Arabia can only have come as a welcome relief to the Administration. With the exception of the Panama Treaties, the President has been dogged by repeated difficulties in getting his legislative proposals through Congress. The latest Senate vote does not conclusively prove that the President has finally succeeded in establishing a better rapport with Congress, nor that his Administration has discovered how to get its arguments heard on Capitol Hill. But at least Mr. Carter has avoided another rebuff, and to that extent his ability to guide America's foreign policy may have been fortified.

Symbolic

The importance of the issue in question is, however, more symbolic than real—which is not to suggest that one should underestimate the importance of symbolic acts, especially in the field of foreign policy. The simultaneous supply of military aircraft to both sides in the Middle East conflict does not alter the military balance in the area one way or the other, and Israeli arguments that their security would be endangered by the strengthening of the Egyptian and Saudi air forces never had any credibility. Israel is so strong militarily, compared with all its opponents, and the Arabs are so divided politically, that for the foreseeable future there could be no doubt who would win if a new war were to break out. The Arabs know this, and it is virtually inconceivable that any of them would risk precipitating another war for several years.

On the other hand, the Senate vote can only have come as a nasty shock to the Israelis. For the first time in 30 years they have discovered that they can no longer take for granted the unquestioning support of Congress. Israel has and will continue to have an immensely powerful lobby in the U.S. But recent events have significantly shifted the perceptions of ordinary Americans, not merely about the rights and wrongs of the Middle East conflict, but also about how this conflict does or could affect America's own national interest.

President Anwar Sadat's peace initiative may have run into the sand in practical terms, but his offer of peace negotiations has been an unqualified success from a public relations point of view, in the outside world if not with his fellow Arabs. By contrast, the Israeli Government continues to adopt a posture whose intransigence strongly suggests that it does not wish for peace on any terms which could be acceptable to the Arab countries.

It is difficult to see that the sale of military aircraft to both sides actually improves the prospects of peace; at best it is neutral, at worst it means that any future war will be on a slightly bigger scale, without affecting the final outcome. But the package is significant because it shows that the U.S. Administration and Congress have shifted towards a more even-handed approach to the Middle East. Having demonstrated its military prowess, and its determination to hang on to conquered territory, Israel is less able to plead a case on the basis of weakness and vulnerability.

Oil supply

Moreover, the United States is increasingly sensitive to its economic dependence on the Arab world, not merely for continuity of supply of oil, but also for the growing role of the oil producing countries as markets for American exports and as providers of international finance.

There is no reason for the Israelis to fear that their interests have been abandoned by the Americans, nor that Washington has given up its commitment to the security and survival of Israel. But they should recognise that the U.S. no longer regards its interests in the Middle East as simply defined by Israeli wishes.

Student union financing

THE Department of Education and Science began last autumn to hold further discussions with the various organisations involved in the financing of student unions. These have now resulted in the publication of a paper which puts forward for consideration some proposals which, while not meeting all the objections of those who criticise the present system, would undoubtedly be an improvement on it. The need for change—which has been discussed several times before without a generally acceptable solution being found—arises mainly, as the DES puts it, because of the lack of accountability for the substantial expenditure of public money involved.

At present, in the case of degree-course students receiving mandatory grants and some other students receiving discretionary grants, the cost of the union subscription—where membership is compulsory—is automatically deducted by the local authority and paid direct through the college to the union. Objections have been raised on two grounds, that local student union representatives are not qualified to administer what are often very considerable sums of money and that these subscriptions have sometimes been used, either directly or indirectly through the National Union of Students, to support semi-political activities of which neither the taxpayer nor the majority of member students is likely to approve.

Public cost

These objections have only been reinforced by the attempt to limit public expenditure of all kinds and by a recent estimate that public expenditure on student union subscriptions rose from about £3m in 1970 to some £13m in 1976-77. The DES suggests various possible explanations for this steep increase, ranging from the growth of interest in student union activities after the rapid expansion of higher education in the 1960s to the development of polytechnics on scattered sites and with a corresponding need for the provision of central facilities. Nor does the DES wish to trespass on the autonomy of the unions in essential matters, since it strongly supports the view that management by students of their own affairs is a valuable part of education. What it seeks is a new form of accountability which is both acceptable to those immediately concerned and capable of satisfying those who provide the money—ultimately the taxpayers—that union expenditure is justified.

One possible way of achieving this aim would be to have colleges or universities provide out of their own funds the cost of facilities at present provided by the unions, after submission and acceptance of union estimates. This would meet the demand for accountability but would also inhibit the educational process of self-management which the DES is out to foster. The alternative which it favours is a two-part system, in which contributions from students would be supplemented after negotiation by the college or university authorities.

Two part

Such a solution should be acceptable in principle to the National Union of Students, which has been much concerned about the widely differing level of union subscriptions even between educational institutions of the same sort—let alone the enormous disparity between subscriptions at universities and polytechnics, on the one hand, and those at different institutions, on the other, where the need for union facilities is usually much smaller. Fixing the actual level of subscription to be met out of grant, however, will not be easy, and will require separate treatment for different institutions and transitional arrangements: the proposals of the DES are a bid for an agreed compromise.

But the general aim is clear, especially in the case of universities and polytechnics which account for the bulk of public expenditure on student union finance. The unions will be able to count on receiving "a significant proportion" of their income from subscriptions, but will also have to negotiate subventions from their host institutions to cover the cost of "all but the minimum level of student union activity." This would be a step in the right direction. The final aim should surely be to let the individual student decide whether or not to spend part of his or her grant on the facilities which the student union provides.

The man who adds a touch of mysticism to banking

BY NICHOLAS COLCHESTER

"WESTERN BANKS concentrate on the visible, whereas we stress the invisible." This is one of the reasons, says Mr. Agha Hasan Abedi, why his brainchild, the Bank of Credit and Commerce International, is looked upon with suspicion by the financial establishment. He certainly runs the bank in a way that sounds strange to western ears. "The velocity of energy, circumferential growth, and the joint personality executive"—these are other concepts that the City must find hard to grasp.

The Bank which embodies them has so far been visible in Britain only as a rapidly extending chain of smoked-glass branches. Starting from scratch in the Arabian Gulf in 1972 the BCCI group had built total resources by the end of last year of $2.2bn and 146 offices across the world. In the Press the bank has recently been noted for a liaison with Mr. Bert Lance, President Carter's former budget director, and an impending schism with Bank of America, a major shareholder, but chiefly for the mystery that surrounds it.

Mr. Abedi has now removed some of the mystery in an interview. He has explained BCCI's complex ownership, and the U.S. bank's decision to pull out. He has described BCCI's U.S. aspirations and its links with Mr. Lance. He has said that he will slow the pace of BCCI's expansion in Britain. He has revealed the geographic origin of his bank's income. Yet the riddle remains: how did such a bank, applying what Mr. Abedi says are the "most conservative banking principles" achieve such growth of its business and in its profit?

BCCI Holdings (Luxembourg) was set up in 1972 with a capital of $2.5m. Bank of America, with which Mr. Abedi had forged links in his years with United Bank of Pakistan, took a 25 per cent. stake. Arab shareholders subscribed for the remainder, although Mr. Abedi retained the right to acquire part of their holdings. From the start, he says, he made it clear to Bank of America that BCCI would become a "global operation" and would devise its own style of management. He says that B of A noted these aspirations, but probably did not believe them.

The oil price explosion gave great impetus to BCCI's expansion. At first it was concentrated on the Gulf, where with 51 branches in the UAE and Oman, BCCI is now one of the major commercial banks. But Abedi also followed the flow of oil wealth to Europe and above all to London. Since 1973, BCCI has established 45 additional branches in the U.K. and now effectively has its head office in the City.

"I estimate that there are about $100bn. of Gulf money invested or deposited through the western banking system," Mr. Abedi says. "If BCCI can mobilise 1 or 2 per cent. of that money it has a substantial business."

The style of BCCI's operation, the smart branches and the personal service, has been developed with the wealthy Asian in view. Mr. Yves Lamarche, the director of Bank of America's Middle Eastern operations and the man at the focus of the problematic relationship between the two banks, is open in his praise of the way BCCI has seized upon this business opportunity.

In the centre of London BCCI does a lucrative business with Middle Eastern visitors. It makes special efforts through its "Middle Eastern mobilisation unit" to find hotel rooms and to arrange transport. Mr. Abedi says that foreign exchange business alone pays for the Park Lane branch. Other branches—in Leeds or Birmingham say—serve the local Asian population. They are less profitable and Mr. Abedi calls them an investment in the future. They are supplemented by a small number of experimental branches, like the one in Brighton, which are manned by British staff and are a first attempt to enter the traditional banking market.

In the City head office, BCCI is now making its first move into banking for large companies. A merchant banking division has been set up which, in conjunction with Credit and Finance Corporation, a Cayman subsidiary, and with BCCI's half share in Kuwait International Finance Company, has already begun to exploit Middle Eastern placing power for international bonds.

Of the stock of BCCI (holdings) 35 per cent. is in the hands of Middle Eastern investors including members of the ruling families of Saudi Arabia, Bahrain, Abu Dhabi and Iran, and of prominent merchant families in Kuwait. Another 40 per cent is lodged with a company in the Cayman Islands called International Credit and Investment. This company took over Mr. Abedi's original right to buy out his Arab backers. ICIC acquired its stake with the help of a loan from Bank of America which has now been paid off from distributed profit. ICIC is, in turn, owned by three trusts in approximately equal proportions. The first is, in effect, a profit sharing scheme. The second is a charitable trust. The third is for the "promotion of the business." ICIC is run from Leadenhall Street by Mr. Pirbhai, a former head of Pakistan's nationalised banking system.

The other 24 per cent. of BCCI is currently held by Bank of America. It is clear that Bank of America has had an uneasy relationship with BCCI for the last three years. After the oil price rise the U.S. bank was unwilling to have only an indirect presence in the Gulf. "When I first started on Middle Eastern business with Bank of America I could not arrange my own contacts in the emirates. I had to go through BCCI. That had to change," Mr. Lamarche explains.

Beyond this developing conflict of interests, the Bank of America executive also makes it plain that his bank was worried by the pace of BCCI's expansion. Two years ago B of A, which then had a majority presence on the BCCI Board, established balance sheet ratios beyond which BCCI was not to go. B of A asked BCCI to stay within these constraints by growing less fast. Mr. Abedi wanted to raise more capital to allow his expansion to go ahead. For two years B of A imposed a mororium on the raising of new funds. Finally at the end of last year it gave the go ahead.

B of A did not subscribe for the new shares and thereby lowered its stake from 30 per cent to 24 per cent. BCCI made up the shortfall with an issue of subordinated long term capital notes which were placed with Middle Eastern investors. At the same time B of A reduced its representation on the Board of BCCI to a minority of one. It agreed that ICIC, the Cayman company, should buy the rest of its holding. Mr. Abedi says that this sale will go through slowly over the next 2½ years, and that the shares will probably go via ICIC to the Middle Eastern shareholders. He says that the price for this stake is to be $32m—no bad return for B of A on an investment over six years of about $5m.

As B of A began to disengage itself, Mr. Abedi was able to focus more intently on his next target—the U.S. He was introduced to Mr. Lance shortly after the latter's resignation and he put him on the payroll of ICIC as an adviser. Mr. Abedi says that Mr. Lance's function is to "help with the two-way flow of third world money to the U.S. and American technology to the third world."

One suitable investment recommended by Mr. Lance was Financial General Bank shares, a $2.2bn Washington-based bank holding company which controls 15 banks in 14 states. BCCI put four wealthy clients from Saudi Arabia, Kuwait, and Abu Dhabi into Financial General giving each of them 4.9 per cent of the equity.

These four clients were Sheikh Kami Adham, the former chief of intelligence of Saudi Arabia, Mr. Faisal Saud al Fulaij, a Kuwaiti businessman, Mr. Abdullah Darwaish, an adviser to the Royal family in Abu Dhabi, and Sheikh Sultan Al Nahyan, the crown prince of Abu Dhabi.

The U.S. Securities and Exchange Commission (SEC) alleged that Mr. Lance, BCCI, and the four clients were acting together in a secret attempt to gain control of Financial General. The Lance/BCCI group neither admitted nor denied this charge but agreed to a settlement under which they would make a tender offer of $15 a share for all Financial General's stock.

The effect of all this, Mr. Abedi explains, is to bring forward U.S. plans that were originally only a long-term aim. He is not yet sure who will make the offer, but whoever makes it, and if it succeeds, BCCI will probably manage Financial General. He says that an important aim of BCCI is to broaden its operating base into the U.S. This will, he feels, greatly increase BCCI's ability to deploy Arab wealth, but will also lessen the bank's dependence on a part of the world which he regards as politically vulnerable.

While America—and a rapid expansion in Africa—take up more of Mr. Abedi's time, the expansion in the UK is to be slowed. "If the City wants us to slow down, we shall slow down," he says, and admits that the Bank of England has dropped hints to this effect. In any case he feels that restraint is in order "until we feel that the possibilities for more profit and business are there." The table shows that the profitability of the bank in Europe—chiefly the UK—is low in proportion to the number of branches and the share of deposits.

Mr. Abedi is aiming for a $4bn bank with a 7 per cent ratio of capital to total liabilities, by 1980. He is adamant that he has the management talent to cope with this continued growth. He says BCCI has 50 senior executives with more than 25 years of banking experience, including two ex-central bank governors and the ex-chairman of the Pakistan banking council.

These executives are managed in a way that looks very strange to anybody used to the management structures of the West. The management system is known inside BCCI as The Concept, and the Concept is almost an article of faith. It states that the chief executive is a committee with no geographical location. He is the "joint personality" of representatives of various parts of the bank who obtain "unity of thought" through constant communication. Mr. Abedi is theoretically part of a "joint personality" in this mystical sounding system. Yet he is visibly the architect and chief, hovering over it all.

His desk is in the pole position at the end of a large and immaculately appointed open plan office in Leadenhall Street. This is not the head office because BCCI is decentralised to the point of having no centre, but in effect it is from this floor and from the Abu Dhabi office that the operation is run. On this floor work the experienced Pakistani bankers that are the backbone of BCCI's management. They are, almost without exception, given the title "executive"—none visibly higher or lower—and when they meet they do so at a perfectly round table that embodies their idea of "joint personality."

The City is bound to remain sceptical and indeed there are signs from within BCCI that this round-table system of management may prove hard to sustain. In the minutes of a recent executive meeting of BCCI there is a section which reads: "If the Concept has not worked we may consider replacing it with the Concept of Control, Regimentation and Disciplines. The present state of management, which is informal, somewhat *ad hoc* and flexible in disciplines, has to be reviewed to determine to what extent it has been conducive to fuller utilisation of human energy."

Mr. Adebi has visionary aims for his bank and for the "mission" which can be achieved through the trusts that own the Cayman company that controls it. But Mr. Yves Lamarche of Bank of America sees BCCI's aims in more down-to-earth terms: "They want to become the biggest bank in the world."

Mr. Agha Hasan Abedi, president of BCCI, 56, was born in India and educated in law and English literature at Lucknow University. He joined the Habib Bank in India in 1946 and worked there until leaving to lead the setting up of the United Bank of Pakistan in 1959. He left UBP in 1973 because of the impending nationalisation of the Pakistan banks. BCCI was set up at the end of 1972.

Mr. Abedi says that he has no stake in BCCI and that he is not a wealthy man. His home is in Pakistan but he is constantly on the move supervising the rapid international growth of his bank. His office, in so far as he has one, is in London and when here he lives "in a small rented house in Dulwich."

Terry Kirk

BANK OF CREDIT AND COMMERCE INTERNATIONAL

	Branches and offices	Share in \$1.76bn deposits %	Share in \$1bn non-bank advances %	Share in operating profit %
Middle East	81	46	46	46
Europe including UK	51	22	20	16
Africa	18	15	15	18
Far East and Cayman	10	17	19	20

MEN AND MATTERS

Losing the Herriot touch

Never since the last foot-and-mouth outbreak have Britain's vets been in such agitation. A dispute about the promotion system in government service is echoing around the British Veterinary Association (the professional equivalent of the BMA) and the Association of State Veterinary Officers (ASVO).

As anyone who has read his Herriot will know, there is nothing a vet likes better than staring a bull in the eye or sloshing around in pigsties. That is why three out of four rural investigation officers offered promotion in the past two years have turned it down. Promotion now means spending three years at the government headquarters in South London — far from the farmyards to which they are accustomed.

Anthony Stevens, director of the Government's veterinary field services, admitted to me yesterday that the decision to implement strictly the "three years in headquarters" policy was unpopular. "None of us likes suburban life when we've been used to places like Dorset and the Lake District," he said. "Then there's the extra cost of living in London." But Stevens says administrative experience is vital before going back again to run a government centre in the countryside.

The 100 investigation officers at the heart of the dispute act as consultants to the country's 6,000 or so "general practitioners"; the latter are unhappy to see men they rely upon being promoted to become what one vet—Robert Mercer, of Saffron Walden — called "pen-pushers in London." Mercer says he was recently dismayed by the departure from East Anglia of Roger Windsor, the new ASVO president. Windsor is the only one of the four rural officers to accept promotion.

Mercer says he is expressing the general view that after three years behind a desk a vet loses his special knowledge of his area. The argument is generating such heat that several MPs have been approached. But this hidden storm in no way affects the glamour that has surrounded a vet's life since James Herriot began writing his books. In the past two years the number of boys and girls applying for places at veterinary colleges has more than doubled.

Stamp response

Granada Television's Sunday appeals for kidney patients have brought such a response that soldiers have been "volunteering" to come and sort the trading stamps arriving in truck loads at the Hampshire headquarters of Elizabeth Ward's British Kidney Patient Association.

Mrs. Ward told me that they expected to have some 700 mailbags of completed books to send to the trading stamp companies and that each bag would probably be worth some £400. I had visions of companies such as Green Shield reeling under the impact of their share of the total £280,000. But Green Shield blandly assured me that earlier charity appeals have had a similar response and that "it is a problem of logistics, not cash."

Bucks stop here

However battered the dollar may look, there are still one or two rich Americans around. The latest list of the 20 wealthiest, published by Town and Country (the U.S. equivalent of Country Life) puts old stayers like the Dupont and Mellon families at the top (with $3-5bn each) followed by the Gettys ($2-3bn), the Rockefellers ($1-2bn), and the Fords (just under $1bn).

"It's catching—even Z Cars are packing it in!"

Then the list grows more interesting. It includes Leonard Stern, who made an estimated $500m, from pet foods, and Ray Kroc who stacked away a similar sum selling McDonalds hamburgers (1.4bn of them last year alone). There is also DeWitt Wallace, whose $300-$400m came from publishing the Reader's Digest.

At the $250m mark, we find Charles Allen, founder and senior partner of Allen and Co., the Wall Street investment bankers, who sprang into the headlines yesterday when they wrung an apology from the New York Times after threatening a $150m libel suit.

For the record, two families with former ambassadorial connections with London, the Annenbergs and the Kennedys, might be able to spare a dime. Their wealth is put at $300-400m each.

Pot down below

Yesterday I reported the discovery of cannabis in a Carthaginian ship sunk off Sicily. I now learn that some archaeologists believe that pot was given to galley slaves to make them forget their sorrows. This suggests the ancients were well ahead of Big Brother with his tranquillised water supplies.

Seal deal

It takes a bold spirit to be a guest of honour in London's Canada House and to speak out against the killing of baby seals, especially with the High Commissioner in the same room: but Farley Mowat, the Canadian best-selling author—and expert on Arctic wildlife—felt no such qualms. At a reception to mark the simultaneous paperback publication here of five of his 21 books, Mowat told me that he "strongly objects to using a natural resource in a way totally without economic validity."

Mowat claims that there is an understanding between the Norwegian and Canadian governments about seal culling in the Arctic—where he lived for two years—and that most of the club-swingers are Norwegians from fleets flying the Canadian flag. In return, Norway limits her fishing inside Canada's 200-mile limit. "The Norwegians decimated the Greenland seals," says Mowat, "and were pushed out of the Barents Sea by the Russians. That is why they have turned to the Canadian Arctic."

On the safe side

British Rail are finding it hard to kick the habit. Passengers on one train yesterday were politely greeted with "Good morning, this is Cannon Street Station. We apologise for the late arrival." The train had been one minute early.

Observer

Hungary tries market-socialism

By IAN DAVIDSON, Foreign Editor, recently in Budapest

HUNGARY is poised for a new wave of economic reforms ten years after the launching of its New Economic Mechanism. Authoritative voices in Budapest already predict that they will be comparable with those of 1968. Among other things, the Government is expected to reduce, if not phase out altogether, the complex system of producer price supports and subsidies, as a stimulus to greater industrial efficiency and profitability. Influential figures in the Hungarian economic establishment are already predicting that this will be followed by moves towards the convertibility of the forint.

The reform programme is still in an embryonic stage, and neither its full extent nor its details have yet been fully worked out (or at least made public). But the principle of reform has been unmistakably endorsed by the Central Committee of the ruling Hungarian Socialist Workers' Party (HSWP), in a 30-page resolution issued last month.

The New Economic Mechanism, with its emphasis on the autonomy of company decision-making, on profitability, and on profit-sharing incentives for both workers and managers, has been remarkably successful in promoting a steady rise of productivity and living standards, and a rapid growth of foreign trade, especially with the non-socialist countries. But what is remarkable about the latest HSWP resolution is that, like its predecessor last October, it wastes little time on self-congratulation for past successes, and concentrates instead on a detailed and stinging indictment of the short-comings which still persist. Cognoscenti of Communist affairs will no doubt tease out subtle meanings from between the lines, but to any layman the thrust is remarkably explicit and was made even clearer to me in conversations in Budapest earlier this month.

Hungary is heavily dependent on foreign trade, which accounts for approaching 50 per cent of GNP. More than half of this trade is with other Comecon countries, but the proportion with the West has been steadily increasing, and it is the West, as the source of equipment and technology for modernising the Hungarian economy, which will be the touchstone for the country's future performance.

As a result of the 1973-74 oil prices increase, the Hungarian trade balance has gone into deficit. The Government has softened the impact on the domestic economy by a complex system of subsidies and price supports, known in Hungary as "financial bridges," which absorb nearly a third of the national budget.

Real costs

But these "bridges" introduce distortions which seriously undermine the principles of competitiveness and profitability. As it is, there are companies which run at a loss and which are kept going by State aid, while there are others which keep unprofitable product lines going out of sheer inertia. In general, the phasing out of producer subsidies will force company managers to deal with the real costs of their operations, though the impact will be lessened by lower company taxes. But the HSWP resolution has already identified a number of sectors and companies which ought to be able to expand rapidly, some others which should stay at about their present size, and others still which should be scaled down or even closed entirely.

Not merely are many Hungarian producer prices too high, but many consumer prices are too low, especially those for the most basic necessities of life, which are fixed by the Government. It is for this reason that the commercial rate of exchange for foreign merchandise trade is about 72 forints to the pound, whereas the tourist receives only about 36 forints to the pound. It does not seem likely that consumer subsidies will be phased out as fast or as far as producer subsidies (where the target date is 1980) but the present aim is to go for a single foreign exchange rate.

One of the shortcomings of the Hungarian economy is the relative inflexibility of production patterns and of marketing. To a large extent, this is due to the dominant weight of trade with Comecon, which is roughly predictable five years ahead: the Ikarus company knows that it will sell 6,000 buses a year to the Soviet Union for five years, come rain or shine, but it requires a lot of effort to secure even a single order from a non-socialist country. Hungary has tried to solve this problem by giving a number of the biggest industrial companies the right to deal direct with foreign (that is, western) markets, instead of going through the 30-odd foreign trade companies which are by nature bureaucratic and ill-adapted for aggressive salesmanship of somebody else's products.

At all events, Hungarian industrialists are being encouraged to seek joint ventures with foreign (which means mainly western) companies, since this gives them access not merely to the most modern technology but also to western markets and marketing techniques. Ikarus has agreements with western motor manufacturers, while Tungsram, one of the world's largest light bulb and vacuum engineering companies, has already set up a joint venture with Action Industries in the U.S., and is in the process of negotiating with other potential partners.

One interesting and recent wrinkle on Hungary's marketing strategy is the encouragement given to closer links with western banks, on the grounds that they will provide good contacts with other western companies. (The Hungarians assert that their interest in foreign banks has nothing to do with their current need for foreign loans to finance their trade deficit; they claim that western banks are already offering them three times as much money as they want or need, and the very fine terms they secured on their most recent $300m. Euromarket loan is circumstantial evidence that this may very well be true).

Inflexibility is, if anything, a more serious problem for the domestic economy than for foreign trade. The monopolistic tendencies characteristic of socialist countries have been aggravated by the mergers of the past ten years and the predominance of too few large and unwieldy companies. Understandably, in view of the small size of the country and the shortage of capital for industrial investment, no one in Budapest talks of introducing competition between domestic manufacturers as a way of dealing with the problems of accidental shortages or deliberate market manipulation. But since the unavailabality of a product in Hungary can even now be treated as a justification for an import licence, the inference may be that the domestic market will become more competitive as the country moves towards convertibility, through freer imports from the West.

Mr. Karoly Nemeth, widely regarded as number two in the Hungarian hierarchy, and a man closely associated with economic reforms.

On the other hand, one of the most explicit recommendations in last month's party resolution is on the need to set up more small and medium size companies in the service sector, and even in the manufacture of such items as spare parts or short-run precision tools or instruments. Getting hold of a plumber or electrician in Budapest is, it appears, even more difficult than in London, and getting your car repaired at one of the official garages means either joining a long waiting list, or resorting to the petty bribery which has become one of the endemic scourges of daily life in Hungary.

But the surprising thing is not so much that the pragmatic Hungarians recognise that there are crying needs in the service sector which are not being fulfilled; the policy of steadily rising living standards is central to the Party's strategy of keeping on reasonably good terms with the rest of the population.

The surprising thing is that the authorities are entirely open-minded about whether small-scale service and manufacturing companies should take the form of co-operatives (and thus satisfy the requirement of "Socialism"), or whether they should be privately owned. At present, some 3-4 per cent. of the economy is in private hands, mainly in agriculture and in retail or artisan-trades. One of Hungary's most influential economists told me that it would not matter if the private sector were two or three times as large, while a Party spokesman would only stipulate that private entrepreneurs should not earn more than three to five times as much as their counterparts in the socialist sector ("even though they work much harder and much better"), because of the social tensions this would cause.

But it may well be that the party is on entirely safe ground in tossing away ideological objections to private enterprise, since there is probably no great danger of a stampede away from socialism. One of the criticisms made in the party resolution is that managers of State enterprises are unwilling to take clear responsibility for their decisions or to take risks, and this despite the incentives of profit-sharing which, in the case of the biggest and most successful companies, can run as high as 65 per cent. of basic salaries.

Since there are no free reserves of labour, economic growth depends exclusively on rising productivity. In recent years Hungarian productivity has been rising fast, and in the Comecon batting order stands fourth behind that in East Germany, Czechoslovakia and the Soviet Union (if official estimates are to be believed). This is not a bad achievement for an economy which was primarily based on agriculture a generation ago, and whose industrial workers are (to judge from last month's Party resolution) an idle, undisciplined lot.

It is clear, however, that the strategy of making Hungary an internationally competitive economy will require considerably more mobility of labour to meet the needs of expanding sectors. In the short run, one of the practical obstacles to labour mobility is the severe housing shortage. One Hungarian acquaintance (in his 30s) was so hard pressed to find anywhere to live (apart from his parents' home) that he was driven to form a co-operative to build a small 12-unit apartment house, and the operation occupied most of his spare time for 3½ years.

In the longer run, there are only two ways the Hungarians can secure a more mobile labour pool: by relaxing the labour laws, so that managers can fire as well as hire, or by closing down a significant number of uneconomic enterprises. Yet it is a sign of the times to read, in a published resolution of a Communist Party in power, an explicit exhortation to managers to sack workers who are lazy, inefficient or undisciplined. Or rather, it is a sign of the times in a very idiosyncratic Communist country.

Letters to the Editor

Plus c'est la meme chose

From Mr. K. T. H. Graves.

Sir,—Once again reform of the international monetary system is in the air; but one is tempted to say that plus ça change plus c'est la même chose. Having abandoned the two pillars of stability of exchange rates and of the price of gold, we now have inconvertibility and floating exchange rates. Short term palliatives still take the place of long run goals.

No international monetary system can work satisfactorily if most of the burden of adjustment is placed on deficit countries. The gold standard itself was on balance deflationary: it being incumbent upon losers of gold to deflate, without a corresponding obligation on the part of recipients of gold to inflate. It therefore broke down in the end. Under the post-war Bretton Woods system there was a devaluation bias. Under the modern floating rate system there seems to be constant pressure upon deficit countries to allow their exchange rates to depreciate while stronger countries economically resist reflationary policies.

In an imperfect world we cannot expect the degree of symmetry we would like to see. The gold standard was a special case—an historical accident. It was a system in which the world's monetary system was uniquely centred on London and the bill on London was international currency. But though the gold standard is dead, it rules us from its grave. Its essence was that domestic policies had to be tailored to meet the requirements of an external standard. Though Keynes rejoiced at Bretton Woods that gold had now become a constitutional monarch rather than an absolute one, the reality has proved otherwise. The Bretton Woods system did not, as we have seen, give nations carte blanche to go off on frolics of their own; and I submit that the new regime of floating rates has certainly not given nations the degree of autonomy that in theory such a regime was to give them. And I believe rightly so.

Nations might all be equal, but some are more equal than others—and such facts of life have to be faced. No tinkering with the monetary system can remove this basic constraint. The late President de Gaulle deserved more sympathy than he got in his insisting upon a degree of discipline and I can well understand how the Germans must be irked to be urged to inflate in order to reduce their competitiveness. As Professor Triffin has recently pointed out, it is significant that a recent report of the US Congress is entitled not "How to Stop Inflation," but "How to Live with Inflation."

The fact is that the post-war Bretton Woods system re-established a gold exchange system. National currencies have been used as international reserves—with all the pressures on the centre countries that characterised the system of the 1920s. There were competing reserve media—and when confidence was lost in national currencies, gold became the final refuge.

Nevertheless there have been—and are—great difficulties in finding a universally acceptable reserve asset. There were great virtues in Keynes's ideas for an International Clearing Union—and its microcosm, the European Payments Union, did more for Europe than the IMF (in the same period) did for the world as a whole. Mr. Schmidt's recent proposals have much in common with the old EPU—but there is again the danger of creating separate currency blocs in the international system; while Dr. Witteveen's ideas for internationalising nations' reserves have something in common with Professor Triffin's own earlier ideas for a world central bank.

We have lived for some years effectively on a gold-dollar standard—and then, when the dollar severed its link with gold in August, 1971, on a pure dollar standard. Yet we might be premature in subscribing to the demise of gold. Reports of its death may be much exaggerated; and there might prove to be reluctance to a move towards a "paper gold" (SDR) system.

As The Economist of June 17, 1961 said, "the world was not ready for Keynes's currency plan at the end of the war and is not ready for its successors to-day." That still seems to me to be true. Who will dare to say that, in practice, a dollar reserve system will not continue? And need that necessarily be as bad a prospect as is sometimes painted; provided always that nations make conscious efforts to avoid continuous serious imbalances in their foreign payments—which greater international liquidity will not, *per se*, forestall.

K. T. H. Graves.
259, Teehey Lane,
Bebington,
Wirral, Cheshire.

The cost of a bureau de change

From Mr. Stephen Brass.

Sir,—Following the correspondence on bureaux de change recently may I try to explain the problem and also go to the roots of the matter rather than examine all the uninformed and sometimes informed comparisons to which we have all been exposed

Hotels have been running exchange services for a number of years providing poor rates—even though these are only offered supposedly as a service to their clients. The bureau de change scene has expanded rapidly in the last 2-3 years with what transpires to be very "flexible" and often indeterminable rules placed on them.

The property market has taken the matter fully to heart and has often obtained exorbitant rates for what are small and often unusable sites. Even those closely associated with Government bodies have not been averse to obtaining very high rents by the use of the magic name of "Bureau de Change." Foreign Banks have descended on top of all this, completely uncontrolled and of largely unknown ownership, and superimposed their own structure in London.

What is to be done? The Bank of England must have more power to implement its decisions. The prohibition of use of the name "Bank" in a title due to come before Parliament in the future must be brought forward and implemented without delay. No bureau de change operation should be entitled to call itself a bank. The Bank of England must lay down the rules, but not then allow itself to be badgered into lifting the restrictions to the detriment of the operator who has decided to abide by the rules. It is largely due to this reason that has caused the proliferation and high site cost, as well as uncertainty surrounding these operations. The Bank of England once having established the rules clearly must not then interfere in the reasonable commercial aspects of these operations provided they are within the rules of the operation as defined. Again because of the confusion they have allowed themselve to become thus involved.

If progress to clarification and final definition are not soon carried out then those who abide by the rules will continue to be heavily penalised.

Most of the reputable bureau de change operators feel sure that the rates which we are offering are commensurate with the times that we are keeping open and the services which we are providing.

Stephen B. Brass,
Director,
Credit Change,
7, Grand Buildings, WC2.

Broadcasting formulae

From Mr. A. V. Robson

Sir,—In his article last Saturday about Independent Local Radio stations, Anthony Curtis wrote: "It is in the entertainment they offer that local radio has so far been disappointingly reluctant to try anything adventurous, content to rely on the safe formula of music n'chat."

Surely Mr. Curtis knows that any radio station that is financed by advertisements is stuck with its listener figures.

Many years ago (in relation to commercial television) the Americans discovered that when a programme rises above the intellectual level of the viewer that viewer stops viewing. If, however, the programme falls below the intellectual level of the viewer he keeps on viewing—presumably in the hope that it might get better. This means that all programmes have to be geared to the lowest common denominator.

I suggest that Mr. Curtis takes Auntie Maud's advice and finds BBC Radio London on the dial. Better still, why not combine pleasure with business — come down to Bournemouth for a few days and listen to BBC Radio Solent?

A. V. Robson.
5, Lawn Court,
9, Surrey Road, Bournemouth.

Buy what is best campaign

From Mr. R. S. Fearnehough

Sir,—Your Industrial Editor Mr. John Elliott (May 4) made wise comment in his article under the heading of "Industry and Unions sceptical about 'Buy British' Campaign." I would much prefer a 'Buy the Best' campaign and urge the Government so to assist industry and especially small firms to ensure that British was the best. The same object would then be obtained. This is the best way to reduce the flow of imports.

R. S. Fearnehough,
Montana,
4, Clumber Road, Sheffield.

Surveyors' fees

From Mr. H. S. McLaren.

Sir,—I read with interest the letter in your columns (May 12) regarding the refusal of some Members of the Chartered Surveyors Institution to deal with compensation-claims on compulsory-purchase for the scale-fee, since I have just encountered such a refusal. It is the more surprising since the scale is largely based on a percentage of the amount of the claim, so that the increase now needed on account of inflation seems likely to be a very modest one.

Four years ago the old Chartered Land Agents Society, dealing exclusively with land-management, despite strong opposition by a large minority of its members permitted itself to be absorbed by the Institution. Of its 1,876 land agents a few resigned: preferring to forgo the occasional convenience of London premises and to reconstitute a small Land Agents' Society of course no longer holding the Royal Charter which had been surrendered but at least permitting survival of the name. The remainder were swallowed up in the Institution among 40,412 quantity surveyors, house agents, valuers and auctioneers. The decease of the Chartered Society may well now be regretted. It had a high reputation, and as it would now seem a better sense of its responsibilities to the public than has the huge organisation that swallowed it up.

H. S. McLaren.
Keyclose, Newtown,
Newport, Isle of Wight.

The price of innovation

From Mr. Michael Gayford

Sir,—Professor McRae (May 12) in his article on innovation, suggests that capital is cheap for industry to raise because of inflation. Historically he may be correct but when borrowing over 15 years one cannot assume that the experience of the past few years will be repeated in the future.

Recently I have been inquiring for long-term funds based on good security for extending our company's activities. I have been quoted 2½-3 per cent over base rate for eight years, and 14½ per cent for 15 years. This compares atrociously with a housing mortgage for 20 years fluctuating between, say, 8-12 per cent.

An industrial loan is allowable for tax at 42-52 per cent but a private mortgage is allowable at 34-83 per cent, both depending on the top rate paid.

It was understandable in a period of acute housing shortage that legislation should favour house mortgages. Now, however, there are plenty of houses in many areas but few jobs.

To resolve the situation I would suggest that building societies be allowed once more to lend to industry and that industrial lending organisations, like ICFC, get the same tax advantages as building societies.

The carrot of long-term money at, say, 9 per cent would encourage investment by industry in innovation, production and marketing.

Michael R. D. Gayford.
Roy Wilson, Dickson,
Dudley House, 2a, Price Street,
Birkenhead.

House prices against gold

From Mr. Adrian Gray

Sir,—Mr. Irvine Fortescue suggested in his letter of April 3 that a monetary system which used housing as part of the backing for the note issue would not work because Government could affect the supply—and hence the price of houses. Instead he advocated a return to the use of gold to underwrite the value of the note issue implying that this would provide stability.

However, on May 10 he conceded that Governments can also affect the price of gold—and hence the value of gold-backed money—by supplying the metal to, or withdrawing it from, the market. Therefore, either both of the systems work or else neither of them works.

If they both work then the method using housing as security will rank as superior because it does not require the stock of houses to be imported and the increase in the total quantity of housing, whether rapid or not, will provide additional employment for British people.

Adrian Gray,
31, Russell Road, S.W.19.

Today's Events

GENERAL

President Kaunda of Zambia in Washington.

Second of seven fortnightly Indian gold auctions.

CBI Council meets.

Lord Shawcross, chairman, Take-over Panel, addresses annual meeting of Wider Share Ownership Council.

Mr. Hugh Scanlon, president, Amalgamated Union of Engineering Workers, is guest speaker at Foreign Press Association lunch, 11, Carlton House Terrace, SW1.

City University degree ceremony, Guildhall, EC2, 4 p.m.

PARLIAMENTARY BUSINESS

House of Commons: Transport Bill, remaining stages.

House of Lords: Orkney Islands Council Bill, report stage. Scotland Bill, committee. Internationally Protected Persons Bill, second reading. Weights and Measures Act 1963 (Potatoes) Order.

Select Committees: Expenditure (Trade and Industry sub-committee). Subject: Measures to prevent collisions and strandings of noxious cargo carriers in waters around UK. Witnesses: Corporation of Trinity House; Honourable Company of Master Mariners (10.30 a.m., Room 10). Nationalised Industries (sub-committee B). Subject: Electricity supply industry (re-organisation). Witnesses: Electricity Supply Industry Employees' National Committee (10.45 a.m., Room 8). Nationalised Industries (sub-committee C). Subject: Independent Broadcasting Authority. Witnesses: Association of Cinematograph, Television and Allied Techniques (4 p.m., Room 8, and 5 p.m., Home Office). Unopposed Private Bill Committee on Abingdon Market Place Bill (Lords) and Mile End Gardens, Portsmouth, Bill (Lords) (4 p.m., Room 9). Public Accounts. Subject: Appropriation Accounts. Witnesses: Department of Health and Social Security and Department of Employment (4 p.m., Room 16). Joint Committee on Consolidation, and Bills. Subject: Adoption (Scotland) Bill (Lords) (4.30 p.m., Room 4). Parliamentary Commissioner for Administration. Subject: Review of access and jurisdiction. Witnesses: Foreign and Commonwealth Office; Home Office; Law Officers' Department; Ministry of Defence (5 p.m., Room 7).

OFFICIAL STATISTICS

Basic rates of wages and normal weekly hours (April). Monthly index of average earnings (March).

COMPANY RESULTS

Duport (full year). General Accident, Fire and Life Assurance Corporation (first quarter). Whitworth and Co. (full year). F. W. Woolworth and Co. (first quarter).

COMPANY MEETINGS

See page 25.

COMPANY NEWS + COMMENT

Unilever falls 11% to £110.6m first quarter

COMBINED RESULTS of Unilever Limited and Unilever N.V. reveal a first quarter 1978 rise in sales value of 3 per cent from £2.22bn to £2.29bn but a drop in sales volume of some 2 per cent and pre-tax profits for the period ended March 31 fell by 11 per cent from £124m to £110.6m.

Pre-tax profits for the 1977 year fell by 261m to £550m on sales of £9.15bn against £8.73bn and the directors then said that they expected 1978 to be a difficult year for the group.

The directors now state that in Europe both consumer and industrial markets remained depressed. The group's businesses in edible fats and detergents achieved improved margins and higher profits in total, but in other consumer groups profits fell short of 1977.

In the industrial groups such as chemicals and paper, plastics and packaging, results too were lower than last year.

In North America, total results were very close to the 1977 level and in other overseas countries last year's good performance was maintained, they add.

In the UACI group, results of consolidated companies were again good, and sales and profits of associated companies, particularly those in the UACI group, were well above those of 1977.

Stated earnings per 25p share are shown as down 5 per cent to 12.76p (13.41p).

With lower interest earnings on cash balances there was a net deduction in the period of £1.8m in respect of other interest, compared with a £3.8m addition last time.

See Lex

INDEX TO COMPANY HIGHLIGHTS

Lee Cooper reaches £3.7m

TURNOVER for the nine months to end 1977 at the Lee Cooper Group of jeans and casual wear manufacturers and distributors reached £47.36m compared with £38.7m for the previous year, and pre-tax profits totalled £3.7m against £2.5m.

The UK contributed £7.41m. (£3.18m.) to turnover and £0.35m. (£0.31m.) to profit, and Europe and North Africa £37.96m. (£25.52m.) and £3.35m. (£2.19m.).

The accounts cover a full years trading of all subsidiaries but only 9 months for the parent company.

Tax takes £1.6m (£1.1m) and exchange losses £305,637 (£186,140), leaving the attributable balance at £1.71m (£1.36m).

The final dividend is 1.65p net per 25p share for a 2.475p (2.4375p) total. A one-for-three scrip issue is also proposed.

Despite the economic recession throughout Europe the current year's trading to date has been satisfactory say the directors and further worthwhile increases in turnover are anticipated. Profit margins are, as always, under constant attack but, barring unforeseen circumstances it is anticipated that these will remain a a very satisfactory level.

Foster Brothers tops £5.3m

AS ANTICIPATED in October, *Foster Brothers Clothing Co.* recouped the shortfall seen at halfway with second half taxable earnings climbing from £2.45m £3.95m. This lifted the full-time total for the year to February 28, 1978, by £4.37m to a record £5.37m. Sales including VAT reached £50.19m., against £44.07m., with a 25 per cent. advance coming in the second six months.

The second half included sales from Discount for Beauty, purchased on August 31, 1977, but the increase from this source is offset to some degree by sales loss in unprofitable branches closed during the period. The net effect of this adjustment leaves the sales increase upwards of 19 per cent. the directors say.

The initial trading for the current year has been very encouraging with sales overall exceeding even optimistic targets. The menswear division, which accounts for *80 per cent of turnover, is performing* particularly well.

Tax took £2.78m (£2.22m) and earnings per 25p share are stated higher at 11.8p (8.4p). A net final of 1.811075p takes the total to 2.850025p (2.3762p).

● comment

Foster's first-half profits downturn of 14.5 per cent has been followed by a 62 per cent increase in the second six months, thanks to the cold snap during November-December, which boosted clothing sales. Excluding Discount for Beauty (acquired last August), full-year sales are around a fifth higher, reflecting volume growth of about a tenth at a *time when competition was* severe. So Foster has clearly benefited from the closure of Stone-Dri and the ladies' wear operation, while Beauty's *contribution was only minimal.* In all about 40 loss-making shops were closed during the year and this programme is continuing. In spite of this slimming-down operation, the group is undertaking a modernisation programme of existing branches, and bringing in new storage facilities. At 112p, the shares are on a p/e of 9.5 while the yield is 3.9 per cent.

The recently implemented 2p a pint price increase on draught beers will help to improve margins, *while maintaining prices* at competitive levels.

On the longer term the development programme is continuing on schedule. When completed, it will give a total annual capacity of 500,000 barrels.

Free trade sales are continuing to go well, and are providing an increasingly important market. All in all, therefore, the board remains confident about the year ahead.

Record £0.95m by Kwik-Fit

AFTER MORE than doubling from £210,000 to £444,000 in the first half, pre-tax *profits of Kwik-Fit* (Tyres and Exhausts) Holdings finished the year to February 28, 1978, ahead from £513,588 to a record £947,076 on turnover of *£9.82m compared with £7.91m.*

After tax, on the ED 19 basis, of £237,118 (£251,073) the attributable balance is up from £262,515 to £709,958 and earnings are *shown* at 5.69p (2.28p) per 10p share.

The final dividend is 0.59p (0.43p) for a 0.99p (0.7p) total and a one-for-five scrip issue is also proposed.

Profit before tax includes a surplus of £142,211 arising from the disposal of discontinued operations. Profit for 1976-77 included £11,139 from J. C. Baker, disposed of during 1977-78. Profit from continuing operations increased by 60 per cent.

The principal activity of the group, fitting tyres and exhausts through Kwik-Fit stations, increased turnover by 51 per cent and profits by 96 per cent. Considerable expansion is taking place and at present 10 further *stations are in the course of* development, bringing the total to 43.

Despite difficult trading conditions during the latter half in Holland, the Dutch subsidiary, Dorsman, increased profit by 15 per cent.

The directors say the current year has started well, with sales of tyres and exhausts during March and April almost 50 per cent up on last year. New sites are continually being looked for throughout the UK, they add.

Setback at Fidelity Radio

TURNOVER FOR the year to March 31, 1978 at *Fidelity Radio* rose slightly from £17.87m. to £18.4m. with a drop in U.K. sales from £15.39m. to £14.34m. offset by a rise in exports from £2.48m. *to £4.06m. Pre-tax profits,* however fell from £1.75m. to £1.31m.

In October, reporting first half profits down from £512,000 to £490,000, the directors said the *order book was strong* and they were confident that they could more than make up lost ground in the second half.

Exports increased substantially, and with signs of a resumption of consumer spending in the home market and abroad, they look forward to a return to greater profitability in the future. Earnings are shown at 7.22p (9.89p) per *10p share and the final dividend is 3.892 net for a* total of 5.185p (4.645p).

● comment

Fierce competition from Japanese imports and disappointing demand before Christmas hit Fidelity Radio. Profits slumped 25 per cent. with most of the damage being done *in the traditionally* more important second half. Margins were steadily eroded during the period, although a 5 per cent. price rise across the product range from June 1 should give a boost to the current year. The company seems to have maintained its market share and with two new music centres, complete with Dolby systems, added to its range, looks set to move up market where better growth is expected, with the music public now entering a more sophisticated generation. Meanwhile, export sales continue to surge and now account for 22 per cent. of total turnover, compared with 14 per cent. last year. Total orders to Nigeria, of which *about half have been delivered,* amount to some £2.23m. since June last year. At 78p the shares stand on a p/e of 10.26 and yield an impressive 10.6.

Seccombe Marshall

PROFIT OF Seccombe Marshall and Campion, bill broking and *banking concern, for the year* ended April 30, 1978 fell from £472,540 to £304,223 after tax and transfer to contingency reserve.

In their interim statement directors said that trading had been more profitable than in any previous half year.

The dividend total for the year is stepped up from an effective 12.0327p to 13.3419p net per £1 share with a final payment of 8.3419p, the maximum allowed.

ISSUE NEWS AND COMMENT

Hestair £3m. rights: property purchase

Hestair revealed plans yesterday to raise £3m from shareholders and announced a series of moves in which it will buy back a 32 acre site in Guildford for £4½m and sell off part of it to an undisclosed institution.

The rights issue of 3.65m ordinary 25p shares on the basis of one-for-four at 84p each is subject to the passing of a resolution to increase the authorised capital from £4m to £6m at an EGM called for June 1.

Giving its reasons for the rights the Board states that it is raising capital to finance future growth. Capital expenditure amounted to £2.6m (£1.1m) last year and a similar high rate is expected in 1978. This is in addition to funds to be used in the Guildford purchase.

After Hestair acquired Dennis Motor in May 1972 it was decided to sell off the 32 acre site to generate cash to aid that *company in its recovery. Part of the* site, was then leased back.

Hestair has now taken the opportunity to buy back the site from Rank City Wall for £4½m, equal to the original sale price.

The site comprises of 560,000 sq ft of industrial space, Hestair Dennis has occupied 340,000 sq ft of this ever since the sale in 1972, and reoccupied a further 60,000 sq ft, called the No 11 shop, in 1976. The remainder is substantially unoccupied.

Following the purchase from Rank City Wall, the No 11 shop *and part of the unoccupied space* will be sold to an institution. The No 11 shop will be leased back, and development on the rest of the space will be by Hestair Developments in conjunction with the institution.

The net cost of these deals to Hestair is £2.73m. A loan of £2.2m is being taken from Finance Corporation for Industry, repayable *as to £1.5m between 1988 and* 1990 and £700,000 in 1988. Interest will be at 1½ per cent over Libor. The balance of the cost will be found from internal resources.

Turning to current trading the chairman, *Mr. David Hargreaves,* reiterates his statement made in the last report that profits in the first half are likely to be lower than last year, with any progress likely to be concentrated into the second half.

However the Board is predicting a 10 per cent increase in the dividend to 6.89p per share.

The issue is underwritten by Hill Samuel. Brokers are Fielding Newson-Smith.

● comment

The logic behind Hestair's *property deal is that a major rent* review was imminent and even after allowing for interest on the £2.2m loan the company is probably £100,000 a year better off than it would have been if it had continued to rent. Also, despite its image as an asset stripper, Hestair has built up its freehold sites and now owns all its major industrial premises. As for the venture into *property developing that could be* a good move, as factory space commands a premium in that area.

Last year net debt rose from £237,000 to £4.4m. while working capital requirements doubled to £8.8m, though cash flow in 1978 should be similar to the £4m of last year further capital expenditure of £3½m an increase in working capital of perhaps £2m, and the £½m cash in the property deal could push up short-term debt in addition to the £2.2m loan. But Hestair is offering little on the profits front and only a 10 per cent increase in dividend so it is not surprising the market eased the shares 4p lower to 97p yesterday—just 13p above the rights price.

£5½m water tender

Essex Water is raising £5½m by an offer for sale by tender of 7 per cent redeemable preference stock 1983 at a minimum price of £97.50 per cent.

The stock is payable as to £10 per cent on application with the balance due on June 29. Applications must be in no later than 11 a.m. on May 23.

Interest on the stock will be paid half-yearly on March 31 and September 30. The first payment will be next September at the rate of £1.8545 per cent.

The stock is repayable on June 30 1983 at par.

Brokers to the issue are Seymour Pierce. Dealings start on May 24.

● comment

At the minimum price Essex is offering flat and final yields of 10.88 and 11.27 per cent respectively. Compared with the closest gilt, Treasury 9½ per cent 1983, the terms look a little tight, but it has been a long time since the last water issue and there could be some build-up in demand for franked income, which has enabled the brokers to pitch the terms on the close side. Mid-Sussex, the last issue, is now yielding 10.45 per cent flat and 10.22 per cent to redemption, so Essex is giving enough away to command tender prices of over £98, assuming gilts do not fall.

Yearlings stay at 9½%

The yearling bond rate held steady yesterday at 9½ per cent. The bonds are issued at par and dated May 23, 1979.

The issues are: Glasgow £1½m.), Hertfordshire (£1m.), Redbridge £(½m.), West Yorkshire (£½m.), Tower Hamlets (£½m.), Liverpool (£2m.), Alnwick (£0.1m.), Chiltern (£½m.), Greenwich (£1m.), Stoke-on-Trent (£1m.), Test Valley (£½m.), Gravesham (£½m.), Doncaster (£½m.), Vale of Glamorgan (£½m.), Warrington (£½m.), Halton (£½m.), Tandridge (£½m.), Richmond-upon-Thames (£½m.).

There are two issues of three-year bonds carrying a coupon of 11½ per cent., issued at par and maturing on May 18, 1981. These are Wyre Forest (£½m.), and Breckland (£½m.).

Cumbernauld and Kilsyth have raised £½m. of 11½ per cent. bonds dated May 12 1982 at par.

South Kesteven has raised £½m. of variable rate bonds dated May 12, 1982.

The following have issued variable rate five year bonds:—Luton (£½m.), Rochdale (£½m.), Leicester (£1m.), Blackburn (£½m.), Aberdeen (£1m.), Mid Bedfordshire (£½m.), Tayside (£1m.).

BRENT CHEMICALS

The chairman of Brent Chemicals, Mr. J. S. M. Jones, said yesterday at the company's EGM that prospects for long-term expansion look good. In 1978 trading started slowly but the trend is improving and the company remains optimistic for the year.

The meeting was called in connection with the £539,000 rights issue proposed last March when the company announced an agreed acquisition of A. M. Craig for £749,000 and a 45 per cent rise in pre-tax profits for 1977 to £2.23m.

Runciman up to £2.62m

ON TURNOVER up from £33.68m. to £38.65m. pre-tax profit of Walter Runciman and Co. for 1977 rose from £2.51m. to £2.62m.

At the halfway stage profit advanced *from a restated* £1.33m. to £1.96m. which included a profit of £804,000 on sale of a ship. The directors then reaffirmed their forecast made at the time of the June rights issue that the full year's surplus should exceed the 1976 figure of £2.5m.

After ED 19 adjusted tax of £1.37m. (£1.34m.) net profit is £1.24m. (£1.17m.) and earnings are *shown as 17.1p (17.6p)* per 25p share, on increased capital. A final dividend payment of 5.66p net takes the total to 8.18p compared with a single payment of 7.42p for 1976.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Blockleys ....2nd int.	2.78	June 29	2.49	—¶	3.45
British Vending	nil	—	nil	0.51	0.46
Bunzl Pulp	2.05**	July 8	1.86	4.88	4.39
Cakebread, Robey	1.35	July 11	1.2	1.65	1.5
Coats Patons	2.1	July 3	1.88	3.26	2.95
Concentric ....int.	1	July 3	0.85	—	2.39
Eng. & Intl. Trust	2.75	July 17	2.45	3.8	3.5
Fidelity Radio	3.89	July 7	3.49	5.19	4.64
Foster Brothers	1.81	—	1.39	2.85	2.58
Furness Withy	4.67	July 17	4.29	8.17	7.38
Hambros Inv.	2.25	July 31	1.85	3.75	3.25
C. E. Heath	5.12‡	—	4.67*	7.32	6.67*
Kwik-Fit Holdings	0.59	—	0.45	0.99	0.7
Land Investors ....int.	0.2	July 24	0.13*	—	0.67*
Lee Cooper	1.65§	July 7	1.63	2.46§	2.44
P. Panto	0.77	July 7	0.77	1.54	1.54
Peutland Inv. Trust ....int.	1.5‖	—	0.88	—	4.05
RHM ....int.	1.45	July 14	1.32	—	3.29
W. Runciman	5.66†	—	7.42	8.16	7.42
Seccombe, M'shall	8.34	July 3	7.23*	13.34	12.03*
Reo Stakis ....int.	0.18	Sept. 14	0.27	—	1.03
Trafalgar House ....int.	2.83	July 14	2.54	—	5.16
Yorks. & Lancs. Inv. ....int.	0.5	July 10	0.4	—	1.35

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Gross throughout. § For nine months. ¶ Forecast third interim 0.0421p subject to reduction in tax, making 3.8604p total. ‖ To reduce disparity. ** If tax is reduced to 33 per cent then additional 0.029p will be paid with this year's interim.

Bunzl fails to live up to expectations

AGAINST AN interim forecast that pre-tax profits for 1977 would exceed those for 1976, Bunzl Pulp and Paper reports a figure some *£0.9m lower at £12.25m.* At midway the decline was from £6.64m. to £6.23m.

The directors explain that the second half proved very disappointing with earnings falling more than expected in nearly all divisions. However, the decline in the surplus before tax was more than accounted for by the rise in the value of sterling which resulted in a reduction in sterling pre-tax surplus of £1.8m. Around £0.6m of this arose from exchange losses on trading and £1.2m from the translation into sterling of the *surplus of overseas* companies. In contrast 1976 included currency gains of nearly £1.4m.

During the early part of 1978 it was discovered that there had been a *serious misappropriation* of funds in Filthai Company, Bangkok, which had taken place over a number of years. Filthai became a subsidiary of the group *in 1977 in the course of the* acquisition of the 50 per cent. of Filtrona International Corporation not previously held. The group's share of the total loss of Filthai is *the equivalent* of £499,000 of which it has borne a charge of £322,000 as an extraordinary item in the 1977 accounts. The directors are taking every possible step with a view to recovering this loss.

Before extraordinary items earnings per 25p share are shown at 21.4p (22.3p) and after such items at 16.7p (29.4p). The final dividend is 2.045p net for a 4.876p (4.394p) total. The 1976 total included a supplementary 0.029p due to the reduction in tax from 35 to 34 per cent. If tax is reduced to 33 per cent then an additional payment of the same amount will be made with this year's interim.

During 1977, 76 per cent of turnover and 61 per cent. of surplus arose from exports and overseas earnings.

The directors state that overall earnings for the first quarter of the current year are at a considerably higher rate than during the depressed second half of 1977. However it would be premature to draw any conclusions from this for the year as a whole, which is likely to be difficult.

● comment

Bunzl suffered a significant earnings slump in the second half of 1977. Pre-tax earnings including those from associate companies for the first half were approximately £8m while the second half figure was £4m. But the first quarter of 1978, aided by a slightly weaker pound, showed some signs of an improvement. An increase in demand for products and an improvement in the Austrian paper manufacturing operation, means that earnings are running at a higher rate than in the last months of 1977 although the outlook remains unsettled. With around 75 per cent of turnover consistently coming from overseas operations and exports, Bunzl is affected significantly by currency parity changes. In 1977 currency translation losses totalled £1.8m against a gain of £1.4m in the previous year. Conditions in the European paper market contributed to Austrian operation's poor results but there are indications of improvement from this sector in 1978. The discovery of a £499,000 misappropriation in a subsidiary, Filthai Company, and the need to make and extraordinary loss provision of £322,000 appears to have unsettled the shares. The price dropped 4p to close at 94p yesterday giving a yield of 8.1 per cent and a p/e of 4.3.

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Property sales boost Trafalgar to £29m.

WITH A £15.77m rise in property profits more than offsetting an £11.4m turnround to a £1.57m loss in the shipping and leisure division, taxable profit of Trafalgar House rose from £21.01m. to £29.49m. in the March 31, 1978, half year. Turnover jumped £140m to £390m.

Mr. Nigel Broackes, the chairman, says that in the second half there will be a return to reasonable profits in the shipping and leisure division and results can be expected to reflect a more conventional mix of earnings from normal trading.

While the property division was boosted more than £15m by the sale of two properties in the period, improved conditions plus an increased volume of development work for resale are likely to yield an appreciably higher income throughout the foreseeable future than in recent years.

On the construction side, the U.S. coal miners' strike brought work in the eastern states to a virtual halt for nearly four months and reduced anticipated North American profits by more than £1m.

The U.S. longshoremen's strike affected scheduling and voyage completions throughout the half year and cost an estimated £1m in lost or deferred profits.

Also the rise in the value of sterling against the dollar reduced profits by some £2m.

Trafalgar House is sensitive to the sterling-dollar rate because much of its earnings are dollar denominated and its costs are in sterling he says. This particularly applies to the shipping and leisure divisions.

The recent strengthening of the dollar will provide relief from some of the temporary pressure the group has suffered in recent months.

He says "things within Trafalgar are going quite reasonably well" and that the construction order book continues to grow.

On cargo shipping, the container consortia are the only areas where appreciable profits are likely in the foreseeable future. The group has sold seven ships recently and reasonable profits will be earned in the second half of the year. The profit from the sale of ships in the first half was £79,000 (£3.89m).

The new printing and publishing division has settled down on a sound basis and offers good prospects of being a worthwhile contributor to group earnings.

Earnings per 20p share are shown at 11.8p (8.4p) and the interim dividend is ahead from 2.54p to 2.83p. Last year, on profits of £46.4m, a 2.62p final dividend was paid.

	Half year 1977-78 £000	1976-77 £000
Turnover	390,083	250,069
Trading profit	31,363	22,088
Property	18,994	3,224
Investment activities	3,903	3,166
Construction	8,950	7,056
Shipping & leisure loss	1,868	*4,517
Printing, publishing	1,259	—
Interest	1,778	1,057
Profit before tax	29,490	21,006
Tax	10,322	7,352
To minorities	380	263
Other debits†	50	16
Attributable	18,518	13,373

* Profit. † Extraordinary losses £10,000 (nil), transfer from reserves redevelopment properties nil (£22,000) and Preference dividend £40,800 (same).

See Lex

Hambros Inv. earns and pays more

A final dividend of 2.25p net per 25p share of Hambros Investment Trust compared with 1.85p lifts the total for the year to March 31, 1978, from 3.25p to 3.75p.

The directors also announce revenue of £1.73m (£1.49m) for the period, subject to a tax charge of £0.66m (£0.58m).

Stated earnings are up from 3.26p to 3.85p per share and net asset value, with prior charges deducted at nominal value, is shown as 122.8p (107.5p) and 132.6p (119.5p) at market value.

LAND INVESTORS TOPS £1M SO FAR

Taxable profit of Land Investors climbed from £851,000 to £1,144,000 in the September 28, 1977 half year. The interim dividend is up from 0.133p to 0.2p net per 25p share on capital increased by a two-for-one scrip issue. Last year a 0.533p final was paid from record profits of £1.11m.

Profit up £312,000 at BVI

THE CONFIDENCE expressed by the directors of British Vending Industries at the interim stage proved to be well founded and pre-tax profits for 1977 turned in some £312,000 higher at £721,066.

At midway when reporting an advance from £138,000 to £352,000 the directors said that margins had been maintained and the company was well founded to make further progress.

Tax for the 12 months took £399,200 (£233,058) leaving the net balance at £321,866 (£176,378).

Again there is no final dividend, leaving the interim payment of 0.5138p net to stand against last year's 0.4601025p. Earnings per 10p share are given at 3.81p (2.05p).

Mr. J. T. Syrad, chairman, states that as a result of the acquisitions in 1977 the group is in a strong position to increase its own activities in the vending and disposable plastic and paperware fields. Further acquisitions are being sought in order to maintain and improve the group's position in these markets.

He points out that the first half of the current year will not be as profitable as the first half of 1977.

The principal reasons for this are pressures on margins from falling world commodity prices and the exceptionally high charges involved in the integration of the businesses acquired. It should be noted that the incidence of these charges is now at an end.

On a more positive note, however, sales are running at significantly higher levels than last year.

RHM hit by bread strike

DUE MAINLY to the losses sustained during the national bread strike last September, pre-tax profits of Ranks Hovis McDougall fell from £20.88m to £15.99m for the half year to March 4, 1978.

The reduction was further aggravated by the continuing adverse conditions in the bread industry in the UK and by generall unsatisfactory trading conditions in the Republic of Ireland where a loss was suffered, says Mr. Joseph Rank, the chairman.

Despite the world trading recession profits from other overseas countries increased overall and there were also increased contributions from the grocery companies and from Wessex Finance Corporation. The results of the other main trading activities were not materially different.

An increase in interest charges from £5.5m to £6.53m reflects the higher borrowing levels during the period.

Profits for the full year were expected to be close to the £36.46m of 1976-77 but they will now be lower says Mr. Rank.

The recently announced acquisition of the Spillers bakeries will not show any material benefits until the next financial year, when the directors will expect to see a significant improvement.

First-half earnings are shown to be down from 3.4p to 2.7p per 25p share. The interim dividend is 1.452p (1.32p) net. Last year's final was 1.968p.

The group acquired on January 17, 1978, for some £465,000 cash, 80 per cent of the capital of Le Pain Moderne of Nice, France, which manufactures and supplies bread and associated products.

On February 28, 1978, it bought for some £410,000, 36,800 shares of Société Boulangerie des Yvelines of Trappes, Paris, which also manufactures and supplies bread and associated products. The acquisition increases the investment in the company from 75 per cent to 96 per cent.

The group yesterday accepted in respect of its holdings of 1,568,000 ord shares the offer from Linfood Holdings for the capital of Wheatsheaf Distribution and Trading. Provided the offer is declared or becomes unconditional, the group will receive 1,176,000 ord shares and £940,800 of 12 per cent conv unsecured loan stock 1990 of Linfood Holdings together with £705,600 in cash.

It is the present intention to retain for the moment any shares and stock required pursuant to the offer. Wheatsheaf was a wholly owned subsidiary until 1968 and the shares now being disposed of represent the balance of the holding following the sale of the majority in that year.

On April 6, 1978, for some £170,000 cash RHM disposed of the whole of the capital of Cerebos Argentina SA which owned the group's small salt manufacturing interests in Argentina.

	Half year 1977-78 £000	1976-77 £000
Total sales	691,000	698,000
Inter-group	62,000	98,000
External sales	595,000	560,000
Trading profit	30,232	33,757
Rationalisation costs	223	1,190
Depreciation	8,828	7,109
Interest	6,553	5,496
Investment income	367	142
From associates	970	790
Profit before tax	15,985	20,576
Tax	8,300	10,575
Net profit	7,685	10,001
Extraord. credits	467	1214
To minorities	285	404
Pref. dividends	142	142
Attributable	7,725	9,177

1 Debits.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: Central Manufacturing and Trading, M. J. Gleeson (Contractors), Northern American Trust.

Finals: Cater Ryder, Chamberlin and Hill, City of Oxford Investment Trust, Duport, John Folkes Hefo, Hartwells, London and Lennox Investment Trust, London Trust, J. N. Nicholls (Vimto), Readicut International, Stonehill, United Engineering Industries, Whitbread.

FUTURE DATES

Interims—	
Borthwick (Thomas)	May 22
Dennis (James H.)	May 24
Plaxton's (Scarborough)	May 23
Redfearn National Glass	May 22
Finals	
Amalgamated Metal	May 22
Beecham	May 25
Press (William)	May 23
Pritchard Services	May 24
Wettern Bros.	May 26

Concentric cut by £575,000

TRADING CONDITIONS for all the major subsidiaries of Concentric were even more difficult in the half-year to April 1, 1978, than the directors had any reason to expect. Margins were under pressure and this, combined with the absence of growth, almost halved taxable profit from £1.19m to £614,000.

Sales were up 7 per cent to £16.81m (£15.73m) in money terms, but volume of output was down.

Not the least of the difficulties the group faced during the period was the effect nationally of prolonged pay negotiations within very tight constraints which led to industrial problems from which the company could not be isolated, the directors explain.

The signs are that there will be an improvement in the second half, although nothing like sufficient to enable the ground lost to be recovered. However, preliminary forecasts indicate a further recovery in 1978-79, the directors add. Profit for 1976-77 was a record £2.43m.

In spite of the disappointing half year they say they have confidence in the future and have decided to raise the interim dividend from 0.85p to 1p net per 10p share, costing £189,050 (£160,705), and expect to pay a maximum permitted total. Last time the final was 1.5458p.

Profit for the half year was struck after depreciation of £238,000 (£201,000). Tax, which amounted to £105,000 (£115,000) excluded any deferred tax not payable in the foreseeable future, and comparative figures have been adjusted.

Capital spending during the six months totalled £434,000 (£471,000).

The company's interests include the manufacture of gas and solenoid valves, thermostatic controls, control systems, water and oil pumps and pressing assembles.

£3.4m increase for C. E. Heath

PRE-TAX PROFIT of C. E. Heath and Company, insurance broker and underwriter, ended the March 31, 1978, year 30.3 per cent ahead from £11.27m to a record £14.68m.

Of the operating profit of £14.83m (£11.45m) underwriting contributed £4.6m (£3.57m) and broking £9.45m (£7.48m).

Directors say the 28.3 per cent increase in net profits from broking operations was highly commendable in conditions which have become more challenging.

On the underwriting side there were further good results from Australia.

A Lloyd's Marine Syndicate has also been formed under its agency to commence underwriting for the 1979 account.

The result is subject to tax of £6.73m (£5.07m) and earnings per 20p share are shown at 27.5p compared with 21.9p previously.

A final gross dividend of 5.118p per share takes the total to 7.318p, against 5.687p last time, adjusted for the two-for-one scrip issue.

Further expansion in France could soon be announced by the group. Mr. Frank Holland, the chairman, who recently announced plans to take an 80 per cent stake in underwriting agency Groupe Sprinks S.A., said yesterday: "I think you will see another move in that area in the not too distant future." The takeover candidate was "much more modest" than Sprinks and was involved in broking, he said.

He sees Sprinks as "a springboard into Europe" and views Europe as one of the growth areas for the future. He said the group would be interested in expansion in Germany where it is currently not very strong.

Final approval for the Sprinks acquisition is still awaited, but if this is received before the end of June, Heath would expect to bring in about six months of profits from the operation in the current year.

For the group as a whole Mr. Holland is quite optimistic for a reasonable growth in profits this year.

	1977-78 £000	1976-77 £000
Broking	9,448	7,478
Brokerage	18,505	14,934
Investment income	1,607	1,160
Expenses	10,659	8,625
Underwriting	4,599	3,567
Fees, overriding commissions	2,494	3,367
Underwriting profits	1,464	571
Investment income	1,944	1,234
Agency expenses	1,703	1,605
Other operating income	782	409
Operating profit	14,827	11,454
Interest	289	288
Other income	139	105
Profit before tax	14,682	11,271
Tax*	6,730	5,063
To minorities	16	148
Extraordinary loss	—	294
Available	7,936	5,764
Dividends	1,401	1,243
Retained	6,540	4,521

* Including prior-year adjustment.

• comment

Full-year results from insurance broker C. E. Heath were a little better than expected. Adverse currency movements, due to a strengthening pound, did not hit the group as hard as was perhaps originally anticipated, knocking some £840,000 off last year's profits. Heath has also been helped by a better organisation of its cash flows (requiring clients to pay as premiums fall due, rather than financing overdue premiums out of its own resources). As a result broking investment income has climbed 37 per cent to £1.61m even though interest rates have not been working in the group's favour. Meanwhile the expense ratio has been contained, while an £800,000 increase in the Australian underwriting operations contributed to the overall improvement, along with the North American market where its property, casualty and transport accounts contributed to over half the total improvement in brokerage income. The only dull spot is the South African operation which is just at break even. For the current year, though brokerage growth is showing signs of slowing down, Heath will be supported by the first time (six month) contribution from Groupe Sprinks, and the favourable movements of interest rates and currencies. At 275p, the shares stand on a p/e of 9.9, and yield 2.7 per cent. They are not likely to outperform the sector.

Midway rise for Anglo Scottish Inv.

Gross revenue of Anglo Scottish Investment Trust rose from £651,770 to £680,125 and pre-tax revenue, for the half year to March 31, 1978, was up by £36,478 to £432,833.

As already announced the interim dividend is 0.7p (0.6125p) net per 25p share and the directors intend the final payment to be at least maintained at the present rate of 0.9875p. Net asset value at the half year is shown as 57p (60p).

Tax took £160,270 (£154,774) leaving net revenue of £272,563.

Today's company meetings

Barton and Sons, Sutton Coldfield, 12.30. Brittains, Stoke on Trent, 3. Christies International, 8, King Street, S.W., 3. Dorada, Hotel Inter-Continental, W, 12.30. Edwards (Louis C.), Manchester, 11. Electrical and Industrial Investment, Stratton House, W, 4. Gaskell (Bacup), Blackburn, 12. Jones (A. A.) and Shipman, South Leicester, 2.15. Legal and General Assurance Society, 11, Queen Victoria Street, E.C., 2.30. London and Manchester Assurance, Skinners' Hall, E.C., 12. Metal Closures, Inn on the Park, W, 12. Rockware, Winchester House, E.C., 3. Sharna Ware, Manchester, 12.30. Slough Estates, Savoy Hotel, W.C., 2.30. Stag Furniture, Nottingham, 12. Unilever, 14-20, St. Mary Axe, E.C., 11. Wilmot Breeden, Birmingham, 12.

48 companies wound up

Orders for the compulsory winding up of 48 companies have been made by Mr. Justice Oliver in the High Court. They were:

Grandroots, Imbuing, David Wolmark, S. S. Heer and Sons, Panarama Contract Builders, Malcolm Barry Construction Company, Morstone Builders (Southern), A. B. Tigg and Co., Arlu (Fashion Specialists), Kenroy Demolition Contractors.

Millglen Finance, Standard Metal Products (Rhondda), Yargien, Birchall Engineering, Equality Trading Co., Cannonquest, Bojak Leather Fashions, George Street Garage, Glyn Property Investments, J. and P. Howarth, Smithamcote, Subsume, Tollvale Developments, Vale Transport, Gordon Page Roofing Contractors, Maroth Steels, L. Merrill and Son, T. and M Builders and Decorators (Eltham), Bayswater Motors, Dudbrook Cleaning Company, Channel Water Sports, Spur Advertising.

Ralesdon, D. H. G. Millar, Millar Swallow and Co., W. T. Fennell and Co., Fairvale Transport, Marathon Express Haulage, Zako Shipbrokers Company, Kriti Shipping and Tourist Agency.

Trent and Thames Roofing Company, Pennock Haste and Howarth, Ken Smythe Transport Services, Julie Alan, Anthony Purser Associates, Seaworld, D. Willats (Forwarding), and West End Showroom Centre.

Coats Patons ahead but warns on current year

AFTER AN exchange loss of some £14m., taxable profit of Coats Patons ended 1977 up 8.9 per cent. from £76.43m. to a peak £83.23m., on turnover 4 per cent. higher at £639.53m.

Directors say trading conditions improved in the UK. Latin America and the Far East, whereas in Western Europe and North America, markets were depressed. Overall trading margins improved from 12.7 per cent. to 13.4 per cent. of sales.

The sales rise reflects a 17.1 per cent. increase in prices offset by a 1.4 per cent. volume drop and a £71.98m. exchange loss. Exports were £59.96m (£51.59m). At half-time profit was £9m higher at £40.91m.

The textile group has got off to a poor start in 1978, and directors say indications are that results could be significantly below last year's levels.

Trading conditions in Europe in the first quarter were not good, with Italy and Spain particularly depressed. There is no immediate prospect of improvement.

In North America margins of home sewings remain poor, and while Latin America, Asia and Australia are more buoyant, conditions in South Africa continue to be difficult.

In the U.K., bookings of yarns and fabrics are down but some improvement may be seen in the second half as a result of the Multi Fibre Agreement negotiations.

In hand knittings there is evidence of a swing in customer preference towards yarns carrying lower margins. Garment sales, with the exception of children's wear, are ahead of 1977.

Directors say that as the most depressed markets involve Coats, its largest and most profitable division, 1978 profits could be significantly down.

But capital expenditure will continue at a high level in growth areas and expenditure and modernisation will remain a priority. The development of new products and activities is being pursued energetically and

	1977 £000	1976 £000
Turnover	639,534	613,919
Trading profit	97,426	88,618
Depreciation	11,413	10,742
Interest	7,132	5,029
Goodwill written off	31	98
Associates' profits	633	2,000
Investment income	2,104	947
Surplus on investmts. sold	135	112
Surpl. on fixed assets rlsd.	1,361	419
Profit before tax	83,233	76,426
Tax†	34,872	32,686
Net profit	48,361	43,740
Investment grants	432	442
To minorities	6,000	6,567
Extraordinary losses	1,970	620
Preference dividends	48	48
Ord. divs. paid and prop.	9,091	8,070
Retained	31,682	29,868

† UK tax provision at 52 per cent. is £8.93m. (£6.1m.) after DTR of £11.94m. (£11.07m.), deferred tax £6.96m. (£4.83m.). Over-provision prior years amounts to £206,000 (£1.19m.) and overspill relief £44,000 (£199,000). Foreign tax £18.24m. (£27.32m.), associates £149,000 (£851,000).

numerous projects, being investigated, look promising.

In 1977 the trading profit after depreciation was 10.2 per cent. ahead at £86.01m., but a rise in net interest charges from £5.03m. to £7.13m.—a result of increased borrowings and the use of part of the 1976 surplus funds to finance capital investment—reduced this advantage.

Associate company profits fell from £2m. to £0.64m., entirely owing to poor trading conditions in India. Investment income however rose from £0.95m. to £2.1m., with the profits from the investment in William Prym-Werke accounting for a large part of the increase.

Fixed asset realisations yielded a £1.36m. (£0.42m.) profit, reflecting sales of surplus property and a larger than usual disposal of machinery.

After adjustment for the Hyde guidelines, available profit slumped from £40.78m (£37.94m) to £18.43m (£14.32m).

As well as the trading exchange losses, £17.64m has been written off reserves in respect of losses on net current assets. The rise in extraordinary losses from £0.63m to £1.97m arose from goodwill written off in a UK subsidiary liquidated in the year.

The annual cash flow was £67.03m (£66.28m) and additional working capital required because of inflation was £34.25m (£39.20m).

Fixed capital investment, including acquisitions, was £26.41m (£23.81m), and owing to disappointing sales, quantitative inventories rose by £18.67m, against a £5.46m fall last year. After allowing for dividends there was a deficit of £20.8m which required additional borrowings of £10.93m, leaving the debt-equity ratio unchanged at 1:4, directors say.

A final dividend of 2.0972p net per 25p share takes the total from 2.9454p to 3.2575p, and if the standard rate of tax is reduced to 33 per cent a supplementary payment of 0.0317p will be made with next year's interim dividend. Earnings per share were 15.4p (13.0p).

See Lex

Cakebread recovers in second half

A SECOND HALF recovery in taxable profits of Cakebread Robey and Co. lifted the full year 1977 figure from £405,958 to a record £525,961. At the midway stage directors reported a downturn in profits from £200,194 to £182,369 but said that results for the year should not be materially different to 1976.

Stated earnings per 10p share are 3.9p (3.7p) and a final dividend of 1.35p (1.2p) lifts the total for the year to 1.65p (1.5p) net.

Turnover for 1977 was ahead to £12.49m (£11.35m) and net profit came out at £261,451 (£187,513) after tax of £244,510 (£218,443). There was an extraordinary debit for the period of £46,917 (nil).

Cakebread is a builders' and timber merchanting group of companies.

Gas sales by Oil Exploration

The directors of Oil Exploration (Holdings) say that sales of gas from the Hewett Field for the first four months were lower in volume than last year but contractual price increases have resulted in income for the period increasing by a small amount.

For the full year sales income from the field should be largely maintained despite the lower volumes of gas forecast to be delivered.

In the UK sector drilling continues on the north of Hewett development well on the "C" area which should be completed in about one month. Operations are continuing on well 10/17-6, an appraisal well for the Toni/Thelma Oil Field. An announcement of the results is not expected to be made before mid July.

Bates Oil Corporation has an active exploration programme, they add.

Furness Withy second half fall

A SETBACK in the second half taxable earnings from £11.23m. to £7.45m. at Furness Withy and Co. cuts total profit for 1977 from £22.64m. to £20.72m. on turnover up £16.2m. at £184.8m.

The directors warned at half-time, when the surplus was £1.85m. ahead, that, with the shipping industry in such a depressed state, the company would do well to match the previous year's performance.

The full-time result benefited by £3.35m. (£1.12m.) from the sale of ships and £3.73m. (£4.39m.) from investments.

Earnings per £1 share are shown at 46.76p (55.67p) and the net total dividend is stepped up to a maximum permitted 8.171p (7.382p) with a second interim of 4.071p. The directors say that if the tax rate is reduced, a final dividend to make the maximum total permitted will be paid.

Extraordinary profits this time of £1.06m (losses £3.96m) included a surplus of £2.24m (deficit £5.7m) on revaluation of currency loans together with profits, less losses, realised during the year and a non-trading exchange loss of £803,000 (gain £877,000) on conversion of fixed assets and loans in the accounts of overseas subsidiaries.

Mr. Brian Shaw, the managing director, later listed three main reason for the shortfall in profits. On the North Atlantic trades he said Manchester Liners had been hit by the impact of a rate war while the group also faced the adverse effects of changes in the dollar exchange rates.

Within the Houlder Offshore division the Oregis North Sea support vessel traded at a loss while the new support vessel Uncle John only came into service towards the end of the year. The Oregis is now laid up but the company hopes the vessel will return to profitable trading in 1979.

In addition the switch of the New Zealand trade to OCL meant both a dislocation to services and relocation of ships.

Adjusting for the fact that the 1976 figures included a credit of more than $1.2m compensation for the cancellation of a charter Mr. Shaw said the overall shortfall on trading profits was nearer 18 per cent.

Around two-thirds of the profits from the sales of ships last year was accounted for by the disposal of bulk carrier Furness Bridge. This year the group is already planning to sell or trade a number of old refrigerated ships but the total on disposals during 1978 will probably be back nearer to the 1976 figure of just over £1.1m.

Mr. Shaw commented that the company's trading operations are now running fairly steadily in spite of the difficult conditions for shipping generally.

● comment

Leaving aside ship sales, Furness Withy's pre-tax profits are roughly £3m lower than last year and probably on the lower side of most expectations. The principal factors here are the transfer of the New Zealand business to OCL, tough competition in the North Atlantic and losses from "Oregis," the North Sea diving support vessel which is now laid up. Some balance came from the group's non-shipping activities, representing 15 per cent of turnover where the profit contribution has increased from 17 to 20 per cent of the trading total.

Two-thirds of the £3.3m ship sales profit has come from the sale of the Furness Bridge, and next year's profit from this source will be more in line with the £1m realised in 1976. But aside from this Furness Withy will be doing very well to come within striking distance fo the 1977 performance. On a 33 per cent tax charge the shares now trade on a p.e. of 3.8 at 272p.

Panto ahead £42,224 to £301,755

Pre-tax profits of P. Panto and Co. finished the year to December 23, 1977 up from £259,331 to £301,755 with a second half increase of £37,508 to £127,679.

Profit was ahead at halfway from £169,360 to £174,076 and the directors anticipated that the second half would be better than the previous year and that figures for the full year should show a small improvement.

Turnover for the year was up from £21.45m. to £24.2m.

After tax of £161,499 (£140,889) earnings are shown as 3.92p (3.31p), per 10p share and the dividend is maintained at 1.54p net with an unchanged final payment of 0.77p.

There was an extraordinary debit of £885 for the period against a £24,277 credit, and £84,415 (£87,783) was retained.

Panto is a wholesale distributor of tobacco, confectionery, groceries, etc.

Goodkind back in the black

With turnover some 20 per cent higher and an improvement in margins W. Goodkind and Sons, furs manufacturer and distributor, turned round from a loss of £35,100 to a pre-tax profit of £18,764 in 1977.

The property subsidiary, which incurred a deficit of £25,521 (£28,388) for the 12 months, has now repaid all outside mortgages and losses should cease by the end of the current year, say the directors.

Tax amounted to £5,382 compared with £2,883 and again there is no dividend. The last payment was 0.409p net for 1973.

Shires Inv. improves

For the year to March 31, 1978 pre-tax profits of Shires Investment Company show a £33,220 improvement at £333,718. This figure includes profit on realisation of investments by the dealing subsidiary of £22,813 compared with £24,382.

Tax took £114,303 against £104,973 for stated earnings of 8.71p (7.75p) per 50p share. A second interim dividend of 5.464p net, lifting the year's total from 7.36p to 8.464p, has already been paid.

After deducting prior charges at par the net asset value per share was 147.84p (123.92p).

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BIDS AND DEALS

Tax eats into Walker Sons profit

The offer document from Anglo-Indonesian Corporation for Walker Sons and Co (UK), whose business is in engineering and general trading in Sri Lanka, throws somewhat more light on the circumstances in which the bid is being made.

It appears that Walker's borrowings in March amounted to £555,000 plus a further £310,000 in guarantees, compared with total net tangible assets of £886,609.

Mr. George Collie, the chairman, admits in his letter accompanying the document that "there is a shortage of working capital in the Sri Lankan subsidiary and remittances to the United Kingdom would depend upon there being surplus cash not required by the Sri Lankan subsidiary for trading purposes."

The latest profit figures—for the six months to last September—suggest that any surpluses are some way off. Pre-tax profits of £4,655 are reduced to £3,192 after tax. So despite the statement that Walker has been told that it may now be possible to remit dividends to the UK as a result of the change in the political climate, the company may not find itself in a position to do so for some time.

As a result it is difficult to estimate the value of the ordinary dividend arrears to AIC. The preference shares are a different matter, however. It is no coincidence that the new offer of 65p, compared with the earlier offer of 40p, takes account of the fact that there is some 45p gross worth of dividend arrears accrued in the preference shares. After tax at a notional rate of 40 per cent the value is equivalent to the difference between the two offers.

So far as Walker's trading prospects are concerned there is no forecast in the document and the interim figures fall short of supplying sufficient evidence to assess whether the contribution Walker will make to AIC is fully represented by an offer which will give Walker's shareholders 10 per cent of the enlarged group.

In any case, with acceptance from P & O which held a 44 per cent stake, AIC now has control of Walker.

FOTHERGILL & HARVEY

Fothergill and Harvey has announced terms for its acquisition of the Compoflex division of T.I. Flexible Tubes. It is to pay a total consideration of £580,476—of which £170,000 in respect of goodwill has already been paid.

Fothergill said that the balance is to be satisfied by the issue of F and H shares to Flexible Tubes which are to be placed with various institutions.

ASSOCD. TOOLING

Laser Engineering has disposed of its entire holding of 480,000 ordinary shares, representing 27.5 per cent of the ordinary capital of Associated Tooling Industries.

The shares have been dispersed among many investors, said the secretary of Associated Tooling, Mr. K. S. Carline, yesterday. Most of them went to pension funds.

Mr. A. G. Pratt is now interested in 327,481 ordinary shares following the acquisition by a member of his family of 12,000 shares at 30p. His total interest now represents 18.74 per cent. of the ordinary capital.

G. M. FIRTH SELLS MORE PROPERTY

G. M. Firth (Metals), the steel stockholders which ran into losses in the first half of last year has completed a second property sale. This time it has sold its surplus freehold land and buildings at its West Bromwich depot for £147,500 cash (before deducting expenses estimated at £2,000).

The profit on the transaction is not ascertainable at present, say the directors but the total cost to the group of the freehold land buildings of the whole depot immediately prior to the transaction was £150,000. The monies will be used to improve the West Bromwich depot and to reduce the group's overall indebtedness.

This disposal in no way affects the trading of the West Bromwich depot which is developing most satisfactorily.

In March Firth arranged a sale and leaseback on its Bradford factory which raised £875,000.

WILLIAMS HUDSON

Williams Hudson Group, whose interests include fuel distribution, shipping, transport warehousing and engineering, has bought Tarmac's wholly owned Economac subsidiary for an undisclosed cash sum.

The group said that Economac will complement its existing John Hudson fuel distribution business in the UK.

Schlesinger merger talks off

Schlesinger, the insurance, investment and finance group, announced yesterday that merger talks with a "major American insurance group" have been called off.

Mr. Peter Baker, a director of Schlesinger European Investments, which has more than £100m. funds under management, explained that the company had received an approach from the U.S. group—widely believed to have been the Insurance Group of North America—some months ago.

Since then the two parties have been discussing the possibility of a "beneficial association" which would have involved Schelsinger's life and general assurance business, largely the £50m-plus Trident Life group, as well as the portfolio of unit trusts. The property companies and related investments were not involved.

The talks apparently did not come up with a "meaningful basis" for the potential merger and have now been called off.

OAKSTONE—REYNOLDS

The Oakstone Motors offer for J. Reynolds Holdings is unconditional and remains open. The offer for the deferred and the ordinary has been accepted in respect of 92.68 per cent, and the preference in respect of 73.93 per cent. The balance of ordinary and deferred will be acquired compulsorily.

EDINBURGH & GENL.

As expected the listing of Edinburgh and General Investments' shares was restored to the Stock Exchange yesterday following the issue of a circular to shareholders outlining details of the company's proposed sales of its 51 per cent. stake in Maynard Wallace and Kersley for £77,500 cash.

GUINNESS GROUP

The Guinness Group is increasing its interest in sun glasses. Guinness Morison International, a subsidiary of Arthur Guinness and Son, has bought a controlling interest in Correna International from its owners Mr. Anthony Corre and Mr. Geoffrey Waterman.

GMI already trades in sunglasses under the brand name Sunbrella and it is claimed that the combined turnover of the two products will put the group into third place in that market.

BRITISH DREDGING

British Dredging is currently negotiating the sale of a 50 per cent stake in one of its companies which it says handles a substantial part of its marine dredging business.

The company last night would give no clue to the identity of the company—or even if it was wholly owned—or the possible purchaser.

The group's last balance sheet showed that dredging and related activities produced a trading loss of almost £428,000 in 1976.

SANDERSON KAYSER

Sanderson Kayser has sold its entire shareholding in an unquoted company, British Acheson Electrodes, for £559,140 cash which will be used in the company's existing business.

Sanderson had been one of several minority holders in British Acheson and, had it not made the sale, it would have been the only remaining minority shareholder.

In the year 1977 net dividends of £40,215 were received from this investment, which had a book value of £34,295.

WELLMAN

Wellman Bibby has acquired the activities of Powder Couplings, Leeds, relating to their Permadryve Powder Couplings, "K" Couplings, G.V. Friction Clutches and Electronic Speed Control Units.

Wellman Bibby is a subsidiary of The Wellman Engineering

LAIC

Colonial Mutual Life Assurance Society has declared its offer for London Australia Investment Company unconditional. CML is so far entitled to 65.34 per cent of LAIC.

STV's control stays close-knit

TO ENSURE the effective direction of Scottish Television the directors believe that the 28,000 cumulative preference shares which currently carry all the voting rights are best held exclusively by persons closely identified with the company's long-term aims and objectives, says Sir Campbell Fraser, the chairman.

The directors, therefore, consider that these shares need only have a notional worth and propose that their nominal value be reduced from £1 to 10p by the return of 90p to holders, at a cost of £25,200.

The proposed reduction of capital will not alter the voting rights attached to the preference shares or the rights of holders of the £1m non-voting ordinary. Only preference holders are entitled to attend the extraordinary meeting, at which the resolution will be voted upon.

The largest holders of the preference capital are Mr. William Brown, the managing director, with 3,313, and directors Mr. Gavin Boyd, 3,865, and the Earl of Wemyss and March, 2,160. Of the 12,250 not held by Board members the biggest holding is 2,650 by the trustees of the estate of Viscount Weir. Sir Campbell himself holds 1,000.

These shares can only be transferred with the consent of the directors and with the approval of the IBA. They do not attract capital appreciation.

In his annual review the chairman says the directors "fervently" believe that Independent Television should have a second channel. The resources, creativity and the will are present and Scottish Television sees it as a unique opportunity for growth.

Meanwhile the company's current contract with the IBA runs until July 1979 and it is becoming clear that, because Parliament has yet to decide about the future shape of British broadcasting, an extension to 1981 is likely.

Sir Campbell points out that through the very substantial investments over the past five years in professional staff, buildings and equipment, the company has a much stronger base than ever before. It is now hoped that work on extending existing buildings to give more space to the programme support services, will begin within the next few months.

Taxable profit for 1977 advanced to £1.74m (£1.41m) on turnover of £15.48m (£12.05m)—as reported April 4. At year end a £142,243 bank overdraft last time had been eliminated and bank balances and cash in hand were up at £218,923 (£6,256).

After a professional revaluation of freehold land and buildings, net book value of land, buildings and equipment was up at £5.47m (£2.84m) and goodwill of £3.48m has been written off reserves.

Since December 31, Thompson Organisation has sold its 25 per cent interest in the capital.

MONEY MARKET

Conflicting movements

Bank of England Minimum Lending Rate 9 per cent (since May 12, 1978)

Interest rates showed conflicting movements in the London money market yesterday, ahead of the monthly published figure for the banks. Fears about possible "corset" restrictions on banks has led to recent sharp discrepency between reserve asset money, lent at call to discount houses, and interbank overnight rates, on the third Wednesday in each month. Anticipation of similar conditions today, may have prompted heavy buying of Treasury bills (which count as reserve assets) by the banks yesterday. Treasury bills have not been a popular investment in previous months, but the recent sharp rise in yields and optimism that Bank of England Minimum Lending Rate may stabilise at the present level, at least in the short-term, probably encouraged banks to buy bills as an alterantive to lending call money to the houses today at very low interest rates.

Signs of a two-tier market were already developing yesterday, and while interbank rates for all periods were very firm, the houses buying rates for three-month Treasury bills had fallen to a level which almost indicated a small cut in MLR. This is clearly an artificial situation, which should resolve itself once "make-up" day is out of the way for another month.

A substantial shortage of day-to-day credit was expected yesterday, but conditions were not too difficult in the end, and the authorities gave only a small amount of assistance by buying Treasury bills from the houses.

Banks brought forward run-down balances, there was a slight rise in the note circulation, and settlement was made of official sales of gilt-edged stock. These outweighed modest net Government disbursements over revenue payments to the Exchquer.

Discount houses found closing balances at 6-7½ per cent, while interbank overnight rates finished at 9¼ per cent, after ranging between 7 per cent and 10 per cent during the afternoon.

May 16 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	7-10	—	—	—	8¾-9	6-7½	—	—	—
2 days notice	—	—	8¼-8¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	8½-9¼	8½-8⅝	—	8½-9½	9¼	7⅞-8½	—	—	—
One month	[illegible]	[illegible]	8½-8⅞	8⅞-8½	9-9½	9¼	7¾	[illegible]	[illegible]	8¾
Two months	[illegible]	[illegible]	—	[illegible]	9⅛-9⅜	—	8-8⅛	8¼-8½	[illegible]	9
Three months	[illegible]	[illegible]	8⅞-9⅛	8⅞-8⅝	9¼-9⅝	9½	8⅝	[illegible]	[illegible]	9¼
Six months	9⅝-9¼	[illegible]	9¼-9½	8⅞-8⅝	9⅝-9⅞	—	—	—	9-9⅛	9½
Nine months	[illegible]	9⅝-9¾	—	9⅝-9	10	—	—	—	—	—
One year	[illegible]	[illegible]	9⅝-9⅞	9½-9⅞	10⅛	—	—	—	—	—
Two years	—	—	10½-10¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years 11½-11¾ per cent; four years 11¾-11⅞ per cent, five years 12-12¼ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 8¾-9 per cent; four month trade bills 9⅝ per cent. Approximate selling rates for one-month Treasury bills [illegible] per cent; two-month 8⅝ per cent, and three-month 8⅝ per cent. Approximate selling rate for one-month bank bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent. One-month trade bills 8¾ per cent; two-month 8⅞ per cent; and also three-month 9¼ per cent.

Finance House Base Rates (published by the Finance Houses Association) 7½ per cent from May 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6 per cent. Clearing Banks Base Rates for lending 9 per cent. Treasury Bills: Average tender rates of discount 8.4631 per cent.

Busy year for TR

A SUBSTANTIAL installation programme, following delays last year, coupled with a continuing high level of order intake means that 1978 is going to be a very busy period for Telephone Rentals, Mr. E. H. Cooper, the chairman, tells members.

The new PDX telephone system has been well received and the number of orders taken exceed the directors' best expectations. These orders are contingent on the satisfactory completion of the evaluation by the Post Office, late this summer. The major portion of the installation programme will start towards the end of 1978 and continue throughout 1979 onwards, he says.

Over 1977 liquid resources fell £1.11m (up £1.53m) reflecting not only a higher investment in installations but an increase in funds tied up in work in progress.

The directors forecasts indicate that the liquid funds will be sufficient to finance the higher level of business. Payments on the new headquarters building at Milton Keynes were significantly less than in the previous two years and only certain small retentions were outstanding at the year end.

Taxable profit for 1977 advanced to £9.55m. (£9.01m.) on turnover of £30.78m. (£29.5m.) and the net dividend is raised to 0.835925p (5.28423p) per 25p share—as reported April 27.

Capital commitments at December 31, amounted to £451,000 (£867,000) of which £72,000 (nil) had been authorised but not contracted.

A geographical analysis of turnover and profits excluding the Australian associate, shows in percentages: UK 74.7 (73) and 84.2 (83.8); rest of Europe 17.5 (18.3) and 7.5 (same); South Africa 5.3 (5.8) and 8.1 (8.9) and North America 2.5 (2.9) and 0.2 (loss 0.2).

Grampian Reproducers started the current year with a full order book including a substantial Ministry of Defence contract and should return to profitability during the second half, the chairman says. It is anticipated that Electro-Rentals, which achieved record pre-tax profits in 1977, will have another good year.

In Canada profits showed a good recovery last year and this should continue during 1978.

Meeting, Bletchley, Milton Keynes, on June 8 at noon.

Davenports Brewery

Pre-tax profits of Davenports Brewery (Holdings) was virtually unchanged at £657,000 against £656,000, for the half-year to March 31, 1978, subject to tax of £342,000, against £341,000.

The interim dividend is 0.88p (0.8p) net. Last year's total was 2.7671p and profits came to £1.45m.

Midterm upsurge by Reo Stakis

AGAINST DIFFICULT trading conditions, turnover of Reo Stakis Organisation jumped 72.3 per cent to £25.42m and pre-tax profit more than doubled from £0.46m to £1m for the 28 weeks to April 2, 1978.

The directors say prospects are encouraging and look forward to another record profit this year. For the whole of 1976-77, a peak £1.95m was achieved.

A divisional breakdown of first-half turnover and profit shows (in £000s): hotels and catering £9,973 (£10,458) and £345 (£358); casinos and betting £2,531 (£4,291) and £493 (£209); and wholesale wines and spirits and off-licences £12,911 (—) and £35¾ (—) respectively.

After tax of £0.52m (£0.24m) stated half-year earnings rose from 1.05p to 2.04p per 10p share. The interim dividend is 0.181p (0.272p) net—last year's final was 0.756p. A one-for-two scrip issue is also proposed.

● comment

Scottish-based Reo Stakis's pre-interest profits rise of 110 per cent in the first half reflects an improved performance from casinos and betting, and the inclusion of the Haddow off-licence chain acquired last July. Excluding Haddow, profits are still 48 per cent. higher in spite of rather flat conditions in hotel and catering, which were hit by the long and severe Scottish winter. However, while the winter was a hard one, Scotland's sporting calendar was not as severely hit as the previous year, and this benefited Champion Fixed Odds; profits in the casinos and betting division were 136 per cent higher. Useful profits should now start coming through from the franchise of Kentucky Fried Chicken and Dayvilles Ice Cream; also, the absence of any duty increase on liquor in the recent budget should give a boost to Haddow. Overall, profits of around £2.3m should be possible for the full year which, at 42p, gives a prospective p/e of 8.9 and a yield of around 4 per cent.

HANSON SALE

Hanson Trust has confirmed that it has sold its entire interest in Sellncourt, consisting of 3,105,000 Ordinary shares (approx. 6 per cent.). The shares were placed with a wide number of institutions.

MINING NEWS

Denison bows out of uranium deal

BY PAUL CHEESERIGHT

DENISON MINES, the second largest uranium producer in Canada, has been checked in its bid to build up reserves by the purchase of uranium-nickel properties in Saskatchewan and Alberta from Inexco Oil of Houston, Texas, for $155.5m (£77.5m).

A statement issued yesterday by Inexco said that the properties would be sold instead to the Saskatchewan Mining Development Corporation, a provincial Government unit.

Inexco was a joint venturer with SMDC and Uranerzbergbau of West Germany at the properties. The terms of the arrangement with Denison gave these two companies 60 days to match the Denison offer, before the sale took place.

SMDC is exercising its right first of refusal and is taking up the Inexco interest on the same terms as those originally negotiated by Denison. Three properties are involved.

The first is at Key Lake in Saskatchewan, where preliminary estimates for the Gartner and Deilmann deposits put uranium oxide reserves at 103.4m. lbs and nickel reserves at 74m. lbs. Inexco's stake was 33 per cent. Subject to official approvals the properties could come to production in 1983.

The second is at Maurice Bay on Lake Athabasca, in northern Saskatchewan, where the Inexco interest was 25 per cent. The first indications of uranium were disclosed by the joint venturers 11 months ago, but no comment was made on their economic viability.

The third property covers some 840,000 acres of holdings in northern Saskatchewan and Alberta. Here the Inexco interest varied from 25 to 33 per cent.

Inexco's sale is linked to the company's concern about the development of Canadian Government policy on foreign ownership of domestic uranium deposits.

Legislation is expected later this year and will probably provide for flexible interpretation of a regulation holding foreign ownership down to 33 per cent of the equity in any one project.

But foreign interest in Canadian uranium continues. Pancontinental, one of the joint venturers at the huge Jabiluka deposit in Australia's Northern Territory, announced in its quarterly report that significant uranium anomalies had been confirmed on claims in the Otish Mountain area of Quebec.

Pancontinental is partnered by James Bay Development Corporation and Cominco. Diamond drilling, geophysical and geochemical surveys at the property start this month.

Meanwhile at Lacana Mining's Blizzard property in British Columbia, a consortium led by Noreen Energy Resources has encountered significant uranium values in 12 of 13 holes drilled this year. The average grade is 17 lbs per ton over a thickness of five metres. This is the high grade zone of the deposit.

Profits slide at Northgate

NORTHGATE EXPLORATION, the Canadian group with Irish base metal mining interests, yesterday announced 1978 first quarter net profits of C$356,000 (£174,110) compared with C$863,000 in the same period of 1977.

But there was an operating loss of C$1.1m. as concentrate production slumped by 48 per cent. owing to low productivity and problems with the underground truck haulage system. At the same time operating expenses were C$343,000 higher in the latest quarter than in the comparable period.

However, these difficulties were offset to some extent by the sale of stockpiled copper concentrates and an exchange gain of C$878,000, or C$770,000 more than in the 1977 first quarter, which lifted non-operating income to C$1.57m. from C$627,000.

There was no reaction from the market to the figures and the shares were unchanged at 350p.

ROUND-UP

The quarterly dividend of 20 cents, declared by Impala Platinum on Monday, makes a total of 60 cents for the first three-quarters of the year to June, not a total of 80 cents for the full year as stated in yesterday's paper.

* * *

The advance of the gold price has provided an economic basis for Quebec Sturgeon River Mines to resume production planning and financing negotiations for the development of the Bachelor Lake mine in Quebec and the Stock Township mine in Ontario, the annual report stated. Both developments were put on a care and maintenance basis in 1975.

* * *

ACA Howe International, the Toronto geological and mining consultants, are opening a London office. Mr. Peter Howe, the president, yesterday predicted a revival in mineral exploration both in the U.K. and on the continent. Uranium was of special interest because of EEC subsidies, he said.

* * *

Agnico-Eagle Mines, the Canadian gold and silver producers, announced a 1978 first quarter net profit of C$446,404 (£218,325), compared with a loss in the same period of 1977 of C$128,964. Earnings for the latest quarter included the utilisation of an unrecorded deferred tax benefit.

More success for Texas Pacific

Texas Pacific Thailand, a unit of Canada's Seagram Company, has made another natural gas discovery in the Gulf of Siam. The company stated in April that it needed one more gas discovery to justify building a production platform in the area.

The latest find is the fifth consecutive discovery and the sixth well drilled by Texas Pacific in the offshore Gulf of Siam area.

The company has been exploring the area since October, 1976. The new discovery is within a field that is estimated to contain reserves of 3.4 trillion (million million) cubic feet of natural gas.

These deposits, plus a smaller field to the north developed by Union Oil of Thailand with estimated reserves of 1.1 trillion cubic feet, are expected to meet a major share of Thailand's energy requirements during the 1980s and 1990s.

The discovery is in Block 16 where Texas Pacific controls 68 per cent. of the consortium. Other members of the group are British Petroleum Development of Thailand, 15 per cent., Deutsche BP Exploration GMBH, 10 per cent., Canadian Superior Oil, 5 per cent. and Highland Thailand—a subsidiary of Highland Resources of Houston, 2 per cent.

* * *

Officials of Indonesia's Ministry of Mining and Energy have denied a statement by U.S. Vice-President Walter Mondale that the U.S. Department of Energy had approved pricing formulas for liquefied natural gas (LNG) sales to the U.S.

The officials said that the department had approved the import of Indonesian LNG, but it had not agreed to any price escalation formulas.

Indonesian Mining Ministry sources say that the formulas were, in effect, still under discussion between Indonesian and American officials.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

Citibank reduces Iran holding

By Andrew Whitley

TEHRAN, May 16.

CITIBANK has sold a 30 per cent equity shareholding in a medium-sized Iranian bank, The Iranians' Bank, for $128.5m (Rials 900m), it was announced to-day.

The 300,000 shares, sold through the Tehran Stock Exchange yesterday, marked the biggest ever sale on the Exchange. Citibank has retained a 5 per cent equity stake, which, according to Mr. Ama Salmanpour, Iranians' president indicates the New York bank's interest in maintaining close relations.

Citibank took a 35 per cent stake in the bank (total assets in 1976 were listed at $365m or Rials 25.5bn) in 1969, in what was intended to be an injection of modern banking services. It was the bank's major entry into the Iranian market, ahead of many of its rivals.

Mr. Salmanpour is reported as saying that Citibank had decided to sell a year ago, following a policy decision in New York that equity holdings in non-American banks had to involve either a substantial majority share or else management control. Iranian banking laws do not allow either position.

Although this was the public reason, banking sources believe the critical factor in the decision may have been the recent change in the ownership of the bank. A majority of the shares used to be owned by the bank's founder, Mr. Abol Hassan Ebtehaj.

The 80-yearold Mr. Ebtehaj one of Iran's pre-eminent banking figures, founded The Iranian Bank in 1959. But last year, sources here say his entire 54 per cent holding was bought out by a controversial, rapidly rising industrialist and banker, Mr. Hozhabr Yazdani.

Meanwhile, it was announced that Bank of America has sold two of the three banking institutions in the Wobaco group to the consortium bank Société Financière Europeene. The total asset of the banks concerned are $677m. The sale leaves one Wobaco group banking unit in Bank of America's hands, which might be sold in future. Bank of America would then be left with nothing but the trust companies in the group.

B of A bought full control of Wobaco earlier this year—it had previously owned just over 50 per cent with Toronto Dominion as the other substantial shareholder.

Seven-Up agrees increased offer

BY STEWART FLEMING

NEW YORK, May 16.

PHILIP MORRIS, the leading U.S tobacco and beer company, has reached agreement on a $514m. takeover of Seven-Up, the third largest U.S. soft drinks producer.

The announcement of agreement between the Boards of the two companies follows two weeks of argument about a fair price for the deal. Philip Morris launched its move into the soft drinks industry, in which it currently has interests, with a $41 a share offer valuing Seven-Up at some $440m.

The Seven-Up Board promptly rejected that move and also turned down the increased $46 a share bid. But yesterday the two companies agreed on a $48 a share price for all the 10.7m Seven-Up shares.

The deal will bring members of the Grigg, Ridgeway and Gladney families who founded Seven-Up in 1920 some $231m for their stake in the company—approximately 45 per cent. of the equity. The joint announcement said that the families, who had baulked at earlier offers, had agreed to tender their shraes to Philip Morris at the $48 a share price.

Philip Morris chairman, Mr. Joseph F. Cullman 3rd, said that the acquisition was a "further constructive step in the diversification programme" of the company which is the second largest U.S. tobacco producer with major brands including Marlboro, Benson and Hedges and Virginia Slims.

The company also owns Miller Brewing which this year has emerged as the second largest U.S. brewing company. When Philip Morris acquired Miller in 1970 it was the eighth largest brewing company, a long way behind Anheuser-Busch and Joseph Schlitz.

But Philip Morris's aggressive management and marketing of Miller beers, coupled with the successful launch of a low calorie beer, has enabled it to displace Schlitz.

Philip Morris shareholders will be hoping that the company can mount as successful a growth campaign for Seven-Up, a lemonade-like drink, in competition with the giants of the U.S. soft drinks market Coca Cola and Pepsi Cola.

Seven-Up is already sold as the "Uncola," a marketing theme designed in part to promote it as a more healthful beverage.

To become a serious rival to the industry leaders, however, Seven-Up has a lot of growing to do. Its sales revenues last year of $251m are small in relation to the $3.5bn plus recorded annually by its two giant rivals.

Seven-Up earned $25.8m net last year ($2.38 a share). Philip Morris had sales revenues in 1977 of $5.2bn and earnings of $335m.

New loan for Hydro Quebec

By Robert Gibbens

MONTREAL, May 16.

HYDRO-QUEBEC, the provincial power utility, is negotiating a C$500m syndicated loan with the Canadian banks.

The package includes a six-year line of credit and a subsequent six-year loan. Interest charges would be at prime rate the first three years and one-quarter over prime in the next three years.

The term loan portion would carry an escalating interest rate up to 1 per cent above prime. It is believed all the banks will participate.

Proceeds are to be used for the C$17bn James Bay hydro project. The amount will cover the utility's balance of borrowing needs for 1978.

Call for oil concerns to retain coal stake

BY DAVID BELL

WASHINGTON, May 16.

THE U.S. Justice Department, in a significant exposition of administration policy, said last night that oil and nuclear fuel companies should not have to divest themselves of coal holdings and that their presence in the coal fields materially increased competition.

This view appears in some conflict with the Federal Trade Commission, which has expressed disquiet about too much concentration of energy resources in too few companies. This was also a theme favoured by Mr. Jimmy Carter when he was running for President two years ago, although he has since seemed lukewarm about divestiture.

In a report to Congress the Justice Department said that oil and nuclear concerns provide "considerable new competition" in the U.S coal industry and to forbid such companies to enter the market would be to restrict the companies "that seem most able and eager to invest in coal."

However, the Department said that some guidelines should be adopted to prevent any company having too dominant a position. It said that it would be "inconsistent" with existing anti-trust laws if the Government leased some of the coal-earning land that it owns to oil and nuclear companies so that they came to have more than 15 per cent of the market. Such a standard would also apply to public utilities and natural gas companies.

By concluding that oil and gas companies would inject a competitive note into the coal industry the Justice Department is seriously weakening the case of those who argued that anti-trust policy would eventually force divestiture. But it is an issue that has yet to be tested in the courts.

Coal strike cuts Dresser

DALLAS, May 16.

REFLECTING THE coal miners' strike and the bad weather in the earlier part of the year, Dresser Industries, the oil, gas and chemical equipment concern, reports a 6 per cent rise in net profit to $49m, with $1.25 per share for the second quarter going against the $1.8 a share for the same period of last year. Revenue was 16 per cent higher at $734m. For the six months, the company managed a 14 per cent rise in net profit to $88m, or $2.24 a share against the $1.97 for the same period last year. Revenue was 20 per cent ahead at $1.4bn.

Marion Power Shovel, acquired in August 1977, contributed $64m to the second quarter revenue.

Agencies.

Brazil problem for Elliott unit

BY DIANA SMITH

RIO DE JANEIRO, May 16.

Elliott do Brasil Equipamentos, local subsidiary of the U.S. parent company, is having some difficulty getting past new Brazilian regulations.

As a way of stimulating national industry, the Brazilian authorities now demand that a high percentage of the content of heavy equipment sold to the State-run enterprise must be of Brazilian origin and, if foreign companies wish to make sales on this market, they are advised to operate through joint ventures with Brazilian companies in the same field.

Furthermore, official policy also calls for example know-how transfers, preferably without payment of royalties and without restrictions on the degree of technology passed over to Brazilian manufacturers.

All this means that Elliott, which has presented a proposal to Brazil's Industrial Development Council, for local manufacture of steam turbines of up to 9,000 hp, has been unable to get it approved so far.

Elliott had begun negotiations with the Brazilian company Dedini (in which Kawasaki holds a 25 per cent. stake) for joint manufacture of these turbines. Talks broke off, however when Dedini insisted on free and unrestricted transfer of not only manufacturing but also development know-how for the turbines. Elliott — arguing that to hand over all its designs to Dedini would be against company policy and also harm Elliott's associations in the U.K., Holland, Canada and Japan, not to mention its position on the world market — refused to contemplate such largesse.

Subsequently, Dedini began negotiations with Siemens, which appears to have a more open mind about such proposals.

The State-run enterprises, ranging from electric energy through oil to steel, fertilisers, and pulp, absorb about 80 per cent. of all the steam turbines sold in Brazil and are therefore a vital market. Ironically, Elliott first came to Brazil several years ago (when there were few restrictions on the operations of foreign companies) at the express invitation of Petrobras, the national oil conglomerate, which became one of its major clients for lower horsepower turbines.

Elliott is now seeking a Brazilian partner for a joint venture in high-power turbines but, as its experience with Dedini proved, today's bargaining conditions are tough, so tough that it has dropped meaningful hints that "other Latin American companies have less rigid standards for foreign companies operating in the capital gods sector." However, it says, goods sector." However, it says, despite the difficulties.

Air Canada talks

Air Canada, the national airline, is holding talks with Cara Operations, one of Canada's largest catering and fast food groups, with a view to the airline participating in the airline catering side of Cara's business, reports our Montreal Correspondent. Cara operates restaurants and concessions in major airports, an airline catering service, fast-food, tobacco, gift and drugstores and also manages motels. Cara, reporting the talks with Air Canada, said it was "some distance" from reaching an agreement.

Bid rejection by Dymo

BY DAVID LASCELLES

NEW YORK, May 16.

DYMO INDUSTRIES, the California-based labelling company, today rejected the $45m takeover bid by the U.S. subsidiary of the Swedish paper and publishing company, Esselte.

After a long meeting yesterday, Dymo's directors said today that Esselte's offer of $24 a share was inadequate, and that they would recommend shareholders not to tender their shares.

Mr. Clause Ganz, Dymo's president, said that the company was in the midst of a record year and is actively seeking acquisition opportunities. Only last Friday, he pointed out, Dymo had repurchased 28 per cent of its stock from its principal shareholder, Pricel, the French concern, and was now in a position to pursue development as an independent company.

There was no immediate reaction from Esselte's subsidiary, Oxford Pendaflex, to the announcement.

Dollar lifts Carnation

LOS ANGELES, May 16.

CARNATION COMPANY reports a 7 per cent rise in first quarter net profit at $30.4m or 81 cents a share against the 75 cents a share for the same peirod of last year.

The dairy and food products concern, whose sales in the quarter were 9 per cent ahead at $622m, says that there was a gain of $1.25m (against a loss of $480,000) in the peirod due to foreign currency fluctuations along with a charge in the latest quarter of $1.5m for estimated costs in settlement of litigation.

Agencies

U.S. interest in aluminium plant

BY OUR OWN CORRESPONDENT

RIO DE JANEIRO, May 16.

AN ALUMINIUM plant worth $120m planned for the Santa Cruz industrial area of Rio de Janeiro is likely to have the participation of Billington NV, subsidiary of Royal Dutch/Shell, and Reynolds Metals of the U.S.

Sr. Eduardo de Varvalho, senior executive of Brazil's mining conglomerate Companhia Vale do Rio Doce (CVRD) has disclosed that Reynolds Metals has guaranteed a 5 per cent shareholding in the Valesul project, with the possibility of increasing its share to 15 per cent when the plant starts operating in the second half of 1980.

Meanwhile, Sr. de Varvalho said, Billington appears prepared to take up to 40 per cent of the shares, leaving Valesul, CVRD's newly-formed subsidiary, with 55 per cent.

The project has come under heavy fire from financial and industrial circles mainly because its location places it at a good distance from Brazil's bauxite reserves in the north, and because it will operate on the basis of imported alumina, making running costs high and spending precious foreign exchange.

However, CVRD has remained undeterred, and has been spurred on by the willingness of the World Bank to advance Valesul a $75m loan on favourable terms as long as foreign partners could be found. With the Reynolds guarantee and the Billington interest, this side of the venture now seems assured.

Investors Group bid

Investors Group, controlled by Power Corporation of Canada has increased its offer by C$5 to C$100, to acquire the shares of Great-West Life Assurance it does not already own, reports our Montreal correspondent. Investors owns 50.1 per cent of Great-West. The company is filing the revised offer with the stock exchanges in the next few days.

Champion Spark deal

Champion Spark Plug has agreed to buy a 94.4 per cent interest in Anderson a major maker of windshield wiper parts, reports AP-DJ from Toledo. The prices was not disclosed. Anderson is privately held. The shares are being purchased from the John W. Anderson Foundation, a charitable trust established by the founder of the company.

Gamble Skogmo

GAMBLE SKOGMO the retail and mail group, reported a net loss of $1m for the first quarter of this year, compared with a net loss of $2.4m. in the 1977 quarter reports AP-DJ from Chicago. The 1978 quarter loss is equal to 19 cents a share. Sales increased to $415.1m from $376.7m.

Carter Hawley upturn

Carter Hawley Hale Stores has announced net earnings for the first quarter of 26 cents a sare against 22 cents previously, reports AP-DJ from New York. Total net earnings were $6.2m against $5.3m. Sales of $344.8m compare with $307.9m previously.

EUROBONDS

Debut of Canada issue

BY MARY CAMPBELL

THE U.S. dollar sector showed few signs of weakening yesterday despite the gloomy forecasts being made by some commentators on U.S. dollar interest rate trends. What was difficult to judge was the extent to which the hopes for a rise in the dollar on the foreign exchange markets were offsetting interest rate considerations.

The D-Mark sector by contrast remained relatively flat, despite dealers' expectations that prices today would react to the temporary stop in new issues. Yesterday was the first full day's trading in Germany since the decision to impose the stop was taken on Friday.

Two new issues formally started trading yesterday. One was Norway's $250m issue which had been priced at 99½. Well over 90 per cent of this issue had been left with the underwriters, and the price fell well beyond the limit of the selling group discount.

The other issue was Canada's DM 600m blockbuster — this started trading dealers said, at the limit of the selling group discount, but more because of the large size of the issue than because the terms were considered inappropriate.

The Canadian issue has attracted adverse comment in some quarters at times during the offering period. Deutsche Bank said on Friday that the allocation averaged about 35 per cent.

Eurofima, the European railways institution, has launched its Y10bn foreign bond issue on the Tokyo market. The issue terms include a coupon of 6.3 per cent and an issue price of 99½ on a 12 year maturity (average life 10.3 years). Nikko Securities is lead manager.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Rejection of Boussac plan may force legal solution

BY DAVID CURRY

PARIS, May 16.

SOME SORT of legally-imposed solution, temporary or definitive, to the problems of the Boussac textile empire now appears inevitable following the declaration of a virtual state of war between the group's managing director, M. Jean-Claude Boussac, and the family shareholders led by the concern's 89-year-old founder M. Marcel Boussac.

The rescue plan unveiled 10 days ago by the younger M. Boussac involving the injection of family finance into the group which is losing FFr 10m a month, further public subsidy, and the cutting of some 1,400 jobs in the Vosges region has now been rejected by Government, unions and shareholders.

The shareholders' meeting at the end of last week, in fact, never properly took place. Shareholders disputed M. Jean-Claude Boussac's claim to command a majority of the votes and withdrew from the meeting. They then unanimously rejected the plan in informal session while M. Marcel Boussac associated himself with worker hostility to the proposed job reduction.

M. Marcel Boussac was asked, in the rescue plan, to put some FFr 200m ($42.6m) into the group via the abandonment of existing credits or the realisation of personal assets. While it is not excluded that he could swallow the further financial sacrifice, he apepars totally unwilling to collaborate with his nephew and there is even speculation that he is in private contact with the Government over the installation of a new management team.

This would be very much a repeat of previous history, since the last few years have seen numerous new managing directors who have all been refused the family co-operation necessary to take the group effectively in hand.

The two main Government demands are for a further family contribution to group finances and the final appointment of professional management. It has shown withering contempt for the rescue arithmetic recently unveiled by Jean-Claude Boussac and his recently appointed right-hand man M. Jacques Petit. The first task of any new management would be to draw up a realistic rescue programme which might then qualify for state aid.

German companies raise more overseas

By Our Financial Staff

BORROWING by the West German corporate sector rose marginally in 1977 but the proportion of company debt raised outside the Federal Republic showed a sharp increase.

Overall borrowing by companies moved up to just DM 63.8bn ($32bn) from DM 61.5bn according to the latest monthly report from the Bundesbank. Borrowing outside Germany, however, rose to DM 18.7bn from DM 11.4bn—or from 18.5 per cent of the total to a full 30 per cent.

The central bank said that in many cases the rise in such foreign liabilities reflected early payments for German exports by foreign customers to hedge against exchange rate risks rather than active borrowing by German companies in foreign markets. This is especially true for financing long-term delivery, where German companies often grant a fixed price in Deutsche-Marks.

Meantime the latest pronouncements on capital spending by industry in Germany come from HWWA Institute for Economic Research. Investment in capital equipment may rise by 4 to 5 per cent in 1978, compared with a 5.7 per cent increase last year. Spending is expected to vary considerably from sector to sector. The construction and auto industries will benefit from a large rise in capital equipment spending.

ENI takes up $250m Libyan loan

BY PAUL BETTS

ROME, May 16.

ENI, the Italian state hydrocarbon group, has successfully negotiated a $250m five-year loan with the Libyan Arab Foreign Bank, ENI confirmed to the Financial Times today.

The Libyan bank is already the second largest single shareholder in the Turin Fiat car group following the celebrated $450m deal finalised in December 1976. The bank has also effected a number of other investments in Italy, especially in the tourist sector and in real estate.

ENI said today that the loan, negotiated by the Italian group's Nassau-based commercial banking institute Tradinvest Bank, was mainly aimed at increasing the oil company's activities in Libya, currently one of ENI's principal sources of crude and an important supplier of natural gas to Italy.

The Italian company said a number of Italian banks were also involved in the funding which is understood to be at current market rates. Over the past few months, ENI has raised some $600m on the international market.

The Libyan bank loan is believed to be the biggest so far made by the Tripoli-based institute set up together with the National Investment Company to manage the North African country's petrodollar surpluses.

The Italian oil agency also reported today that its engineering subsidiary, Saipem, was granted a $20m. six-year loan from the Milan branch of Citybank of the US for its activities in Algeria.

Modest rise in Heineken first half earnings

By Our Financial Staff

NET PROFITS higher by just 2 per cent at Fls 37.9m are announced by Heineken the Dutch brewer for the first half of the year ending next September.

The result represents a significant slowdown in earnings growth compared to Heineken's performance over the previous year when net profits rose by almost a fifth. However, the company is "reasonably optimistic" about the outcome of 1977-78 as a whole.

Trading profits for the first half rose to Fl 85.1m from Fl 80.9m on sales 13 per cent higher at Fls 1.2bn despite first quarter held back by dock strikes in North America.

Heineken is Holland's largest brewer with a share of the Dutch beer market which extends to more than 50 per cent.

Peugeot-Citroen

IMPRESSIVE DIVIDEND statements emerged yesterday from the motor division of Peugeot-Citroen, where profits rose sharply in 1977, our financial staff writes. Automobiles Peugeot is lifting its dividend by more than two-fifths to FFrs 17 while at Automobiles Citroen a return to dividend payments is being made after an absence of four years. Citroen is paying FFrs 3 against the FFrs 9 last paid in 1972.

Interfood to maintain profits

BY JOHN WICKS

ZURICH, May 16.

PROFITS of Interfood SA, the Lausanne parent company of the Suchard and Tobler chocolate concerns, for the financial year ended March 3 are expected to be about the same as the SwFr 7.73m ($3.9m) recorded for 1976-77. Shareholders have, therefore, been told that it should be possible to recommend unchanged dividends of SwFr 20 per "A" share and SwFr 100 per "B" share at the next annual meeting.

While group turnover for calendar 1977 rose by over 7 per cent to SwFr 1.19bn, the group was affected both by the sharp rise in the cocoa price and the strengthening of the Swiss Franc exchange rate. A decline in the profits of various group companies was offset by an overall rise in sales and by a continuation of rationalisation efforts. As part of further rationalisation, the running of group activities on the Swiss market is to be centralised at the start of 1979.

The shareholding in interfood owned for over 40 years by the French chocolate manufacturer Poulain was recently transferred to CM Industries, a French group active in the chemical, pharmaceutical and foodstuffs sector. Interfood is investigating the possibility of co-operation with this company.

MoDo sets capital yield target

BY WILLIAM DULLFORCE

STOCKHOLM, May 16.

MR. MATTS CARLGREN, managing director of MoDo, has just outlined to his annual general meeting the strategy and conditions required to bring the hard-pressed Swedish pulp and paper company out of its current financial trouble. Last year MoDo slumped into a Kr.229m ($49.8m) loss and passed the shareholders' dividend. It will sustain another big loss this year.

For a heavily indebted company—MoDo's current interest-bearing debt is around Kr2bn ($435m)—the key indicator was the return on total capital employed, according to Mr. Carlgren. During the next five years MoDo's target had to be a minimum annual return of 10 per cent.

A sharp curb on investments and a reduction and speed-up in the turnover of working capital could cut the outstanding debt to Kr500-700m in five years. After spending Kr1.4bn on capital investments over the last four years, there was little risk in taking a breather on the investment side.

Assuming an average rate of inflation of 8 per cent a year over the next five years and a capacity utilisation of 85 per cent in the company's mills, Mr. Carlgren gave three alternative developments in pulp and dollar prices, which would allow MoDo to meet its 10 per cent capital yield goal:

An unchanged rate of Kr4.60 to the dollar and a $90 increase in the price of bleached sulphate pulp to Kr410 a tonne; a return of the dollar rate to Kr4.90, the level at the time of the krona devaluation in August, and a pulp price of $385 a tonne; and an increase in the dollar rate to Kr5.20 and a pulp price of $360 a tonne.

Mr. Carlgren believes the pulp price will improve from its current level of around $320 a tonne, but "a rise in the dollar rate is highly uncertain and less likely in the short term." However, the purchasing power of the krona in Sweden was at present about 20 per cent lower than that of the dollar in the U.S. and a re-adjustment of rates would eventually have to come about.

MoDo's first quarter performance was "strongly negative" but some improvement was on the way, Mr. Carlgren said. The liquidity situation was under control and the company had sufficient reserves to cover the loss anticipated this year.

MEDIUM TERM CREDITS

Size of Mexican loan doubled to $600m.

BY MARY CAMPBELL

THE SIZE of the three-year extendable Euromarket credit for Mexico's Banco Nacional de Comercio Exterior will be more than doubled from the $250m. originally scheduled, banking sources said yesterday. The books are currently in the course of being closed and the amount of the loan will certainly be set at more than $600m.

Sharp increases in the size of loans have recently become a regular feature of the syndicated lending market. One of the most extreme examples was the Philippines loan of $500m., originally scheduled at $250m.

The Bank of Greece has also increased the size of its loan from the $250m originally scheduled. The ten-strong management group for this loan is now complete, and a particularly noteworthy point is that it is being put together virtually without the help of the U.S. banks.

Apart from Bankers Trust International, there are no U.S. banks in the group, although several are understood to have been invited. It is thought that the U.S. banks' objection stems from the fact that the margin being paid over-inter rates has been set at the relatively low levels of ⅝ of a percentage point for the first three years rising to ¾ for the remaining seven.

The nine-strong management group has now also been fixed for the Iranian National Gas Company's $300m loan: again, apart from Chase Manhattan Ltd., the lead manager, no U.S. banks are involved.

Korea's two-tranche loans is being raised from the $300m originally scheduled to $500m.

The large increase in the size of the loan for Banco Nacional de Credito Exterior is due particularly to demand from smaller banks, including regional banks in the U.S., which are not normally large-scale lenders in the Euromarket, banking sources said yesterday. The particular attraction is the banks' option to get repaid at the end of three years or to renew for further periods up to ten yars—many banks apparently are wary of committing themselves for the long maturities common in this market now.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Acan Australia 8½pc 1988	96¼	97¼
AMEV 8pc 1987	96½	97¼
Australia 8½pc 1992	93½	94½
Australian M. & S. 9½pc '92	97	97½
Barclays Bank 8½pc 1992	96½	97¼
Bowater 9½pc 1992	97½	98½
Can. N. Railway 8½pc 1986	97	97½
Credit National 8½pc 1986	97½	98
Denmark 8½pc 1984	100	100½
ECS 9pc 1993	95½	96½
ECS 8½pc 1997	95½	96½
EIB 8½pc 1992	98½	99½
EMI 9½pc 1989	98	99½
Ericsson 8½pc 1989	96½	97
Esso 8pc 1986 Nov.	101½	102
Gt. Lakes Paper 8½pc 1984	98	98½
Hamersley 9½pc 1992	99½	100½
Hydro Quebec 9pc 1992	95½	96½
ICI 8½pc 1987	97	98
ISE Canada 9½pc 1986	104½	105
Macmillan Bloedel 9pc 1992	95½	96½
Massey Ferguson 9½pc '91	96½	97½
Michelin 9½pc 1988	102	102½
Midland Int. Fin. 8½pc '92	97½	98½
National Coal Bd. 8pc 1987	94½	95½
National Wstmnstr. 9pc '86	101	101½
Newfoundland 9pc 1989	99	99½
Nordic Inv. Bk. 8½pc 1988	98½	98½
Norges Kom. Bk. 8½pc 1992	97½	98½
Norpipe 8½pc 1989	90½	97½
Norsk Hydro 8½pc 1992	96	98½
Oslo 9pc 1988	100½	101
Ports Autonomes 9pc 1991	98½	99
Prov. Quebec 9pc 1995	95½	96
Prov. Saskatch. 8½pc 1986	99	99½
Reed International 9pc 1987	93	95
RHM 9pc 1992	97	93½
Selection Trust 8½pc 1989	91	92
Skand. Enskilda 9pc 1991	99½	100½
SKF 8pc 1987	93½	94
Sweden (K'dom) 7¾pc 1987	96½	97
United Biscuits 9pc 1989	98½	99½
Volvo 8pc 1987 March	93	93½
NOTES		
Australia 7¾pc 1984	95½	96
Bell Canada 7¾pc 1987	94½	95½
Br. Columbia Hyd. 7¾pc '85	93½	94½
Can. Pac. 8½pc 1984	98½	99½
Dow Chemical 8pc 1986	98	98½
ECS 7¾pc 1982	96½	97
ECS 8½pc 1989	95½	96
EEC 7¾pc 1982	96½	97
EEC 7¾pc 1984	95½	96½
Enso Gutzeit 8½pc 1984	96½	97½
Gotaverken 7¾pc 1982	97½	98
Kockums 8pc 1983	97½	98
Michelin 8½pc 1983	99½	100
Montreal Urban 8½pc 1981	100	100½
New Brunswick 8pc 1984	97	97½
New Bruns. Prov. 8¾pc '83	99½	100½
New Zealand 8½pc 1986	98	98½
Nordic Inv. Bk. 7½pc 1984	96½	97
Norsk Hydro 7½pc 1982	97½	98
Norway 7¾pc 1982	96½	97
Ontario Hydro 8pc 1987	95	95½
Singer 8½pc 1982	100½	101
S. of Scot. Elec. 8½pc 1981	99½	100½
Sweden (K'dom) 7¾pc 1982	97	97½
Swedish State Co. 7¾pc '82	97½	98
Telmex 9½pc 1984	99½	100
Tenneco 7¾pc 1987 May	93½	94
Volkswagen 7¾pc 1987	94½	95½
STERLING BONDS		
Allied Breweries 10½pc '90	90	90½
Citicorp 10pc 1993	91	91½
Courtaulds 9½pc 1989	89½	90½
ECS 9½pc 1989	94	95
EIB 9½pc 1989	94	95
EIB 9¾pc 1992	93½	94½
Finance for Ind. 9½pc 1987	90½	91½
Finance for Ind. 10pc 1989	91	92
Fisons 10½pc 1987	94½	95½
Gestetner 11pc 1988	93½	94½
INA 10pc 1988	90½	91½
Rowntree 10¾pc 1988	89½	90½
Sears 10½pc 1988	89½	90½
Total Oil 9½pc 1984	93	94
DM BONDS		
Asian Dev. Bank 5½pc 1988	96½	97½
BNDE 6½pc 1986	96½	97½
Canada 4½pc 1983	98	98½
Den Norske Id. Bk. 6pc '90	98	98½
Deutsche Bank 4½pc 1983	98	98½
ECS 5½pc 1990	95½	96½
EIB 5½pc 1990	93½	94½
Elf Aquitaine 5½pc 1988	93½	94½
Euratom 5½pc 1987	98½	99½
Finland 5½pc 1986	98	98½
Forsmarks 5½pc 1990	98	98½
Mexico 6pc 1985	96½	98
Norcem 5½pc 1989	99½	100½
Norway 4½pc 1983	99½	100½
Norway 4½pc 1983	97½	98½
PK Banken 5½pc 1988	95½	96½
Prov. Quebec 6pc 1990	96½	97½
Rautaruukki 5½pc 1988	96	97
Spain 6pc 1988	95	95½
Trondheim 5½pc 1988	97½	98½
TVO Power Co. 6pc 1988	97½	98
Venezuela 6pc 1988	97½	98½
World Bank 5½pc 1990	98	98½
FLOATING RATE NOTES		
Bank of Tokyo 1984 7[13/16]pc	99½	100½
BFCE 1984 8½pc	99½	100½
BNP 1983 8[1/16]pc	100½	101½
CCF 1983 8pc	100	100½
CGMF 1984 7¾pc	99½	100
Creditanstalt 1984 7¾pc	99½	100½
Credit Lyonnais 1982 8pc	100	100½
DG Bank 1982 7[15/16]pc	100½	100½
GZB 1981 8[1/16]pc	100½	101
Intl. Westminster 1984 8pc	99½	100½
Lloyds 1983 7¾pc	100½	100½
LTCB 1983 8pc	99½	100½
Midland 1982 8pc	101	101½
Midland 1987 7[11/16]pc	99½	100½
OKB 1983 7¾pc	100	100½
SNCF 1985 8½pc	99½	99½
Std. and Chrtd. '84 7[11/16]pc	99½	100½
Wms. and Glyn's '84 8[1/16]pc	99½	100½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	89	90½
Ashland 5pc 1988	95	96½
Babcock & Wilcox 6½pc '97	103½	104½
Beatrice Foods 4½pc 1992	98½	100
Beatrice Foods 4½pc 1992	104	106
Beecham 6½pc 1992	97½	98½
Borden 5pc 1992	100½	102
Broadway Hale 4½pc 1987	79	80½
Carnation 4pc 1987	78½	80
Chevron 5pc 1988	137	138½
Dart 4½pc 1987	81½	83
Eastman Kodak 4½pc 1988	86½	88
Economic Labs. 4½pc 1987	79	80½
Firestone 5pc 1988	84	85½
Ford 5pc 1988	91½	93
General Electric 4¼pc 1987	88	89½
Gillette 4¾pc 1987	79	80½
Gould 5pc 1987	117½	119
Gulf and Western 5pc 1988	90	91½
Harris 5pc 1992	179	181
Honeywell 6pc 1986	90	91½
ICI 6¾pc 1992	87½	88½
INA 6pc 1997	96½	95
Inchcape 6¾pc 1992	119½	120½
ITT 4½pc 1987	83½	85
Jusco 6pc 1992	111	112
Komatsu 7½pc 1990	123½	126½
J. Ray McDermott 4¾pc '87	171½	173½
Matsushita 6½pc 1990	104½	105½
Mitsui 7¼pc 1990	120½	121½
J. P. Morgan 4¾pc 1987	101	102½
Nabisco 5½pc 1988	101	102½
Owens Illinois 4½pc 1987	114½	116
J. C. Penney 4½pc 1987	79	80½
Revlon 4¾pc 1987	119½	121
Reynolds Metals 5pc 1988	87	88½
Sandvik 6½pc 1988	109½	111
Sperry Rand 4¼pc 1987	93	94½
Squibb 4¼pc 1987	82	83½
Texaco 4¾pc 1988	82½	84
Toshiba 6½pc 1992	124½	125½
Ty Co. 5pc 1984	78	79½
Union Carbide 4¾pc 1982	96	97½
Warner Lambert 4½pc 1987	85½	87
Warner Lambert 4½pc 1988	78	79½
Xerox 5pc 1988	90	91½

Source: Kidder, Peabody Securities.

EUROPEAN OPTIONS EXCHANGE

Option	Price	July Close	July Vol.	Oct. Close	Oct. Vol.	Jan. Close	Jan. Vol.	Equity close
E. Kodak	$40	15¾	—	15½	—	15¾	—	$55⅛
E. Kodak	$45	10¾	—	11	2	11½	5	..
E. Kodak	$50	6¼	38	7½	8	8¼	4	..
E. Kodak	$60	1⅛	48	3	5	3⅞	25	..
GM	$50	14⅛	..	13¾	2	14½	—	$63⅝
GM	$60	5¼	—	5⅝	11	6⅛	20	..
GM	$70	⅛	5	1⅛	3	1¾	—	..
IBM	$240	28½	1	31	5	34¾	—	$268¼
IBM	$260	13	3	16¾	1	20	—	..
IBM	$280	3⅞	35	7⅝	6	11	11	..
Algemene	F330	26	—	27.00	—	26	6	F348
Algemene	F340	17.00	—	19.00	—	21.00	3	..
Algemene	F350	12.00	6	12.00	—	14.00	1	..
Amro	F70	8.30	—	8.50	10	10.00	9	F76.90
Amro	F75	4.00	—	5.30	—	6.60	3	..
Amro	F80	2.20	—	2.60	—	2.80	4	..
Nat Ned	F100	13.60	—	13.80	4	16.00	1	F11.10
Nat Ned	F110	5.70	10	8.00	6	8.10	10	..
Philips	F22.50	3.40	—	3.70	—	4.00	—	F24.90
Philips	F25.00	1.10	14	1.80	18	2.10	10	..
Philips	F27.50	0.30	5	1.00	—	1.40	7	..
R. D. Shell	F120	10.00	7	9.60	6	10.00	4	F129.50
R. D. Shell	F130	2.40	6	3.60	107	4.70	61	..
R. D. Shell	F140	0.50	—	1.10	—	2.00	—	..
Unilever	F110	5.50	—	4.70	3	6.20	6	F114.50
Unilever	F120	0.60	1	1.70	18	2.50	1	..
Unilever	F130	0.50	—	0.70	—	1.70	—	..
		May		August		November		
BP	700p	—	—	—	—	—	—	874p
BP	750p	—	—	—	—	—	—	..
BP	800p	—	—	—	—	—	—	..
GEC	200p	—	—	—	—	—	—	258p
GEC	225p	—	—	—	—	—	—	..
GEC	250p	—	—	—	—	—	—	..
GEC	275p	—	—	—	—	—	—	..
ICI	300p	—	—	—	—	—	—	362p
ICI	325p	—	—	—	—	—	—	..
ICI	350p	—	—	—	—	—	—	..
ICI	375p	—	—	—	—	—	—	..

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Bid activity maintains fast pace in Australia

BY JAMES FORTH

SYDNEY, May 16.

TAKEOVER ACTIVITY in Australia has been maintained with the diversified industrial group, W. R. Carpenter Holdings, making a bid for the paper and printing group, Dalton Brothers Holdings.

At the same time the electrical appliance group, Vulcan Industries, announce that it has held talks which could lead to an offer, while P. and O. Australia has found a rival bidder for S.A. Cold Stores.

Carpenter already holds a 36.2 per cent. stake in Dalton and has two representatives on the Dalton Board. If the bid is successful it would cost Carpenter about $A9.5m. ($U.S.10.7m.).

Carpenter is offering $A1.40 a share which compares with today's closing market price of $A1.25 and a net asset backing of $A1.50.

Carpenter's directors said the Dalton Group would continue to operate as in the past with no management change. They were confident a closer relationship would work to the mutual advantage of both companies.

The Carpenter Board added that if Dalton holders re-invested the A$1.40 in bank-backed finance company debentures, they would lift their return from 9 cents a share to 15.4 cents.

The offer price was more than double the 66 cents prevailing in the market 12 months ago and 55 per cent higher than the price at the start of 1978. The offer represented a continuation of action in recent years to expand Carpenter's profit base of its Australian activities.

Apart from island trading activities, the group is involved in signs and lighting, finance and property, insurance and apparel, and wine.

Vulcan directors gave no indication of the identity of the company it was holding talks with, but said that an offer for all the shares may be forthcoming.

Vulcan has 22.3m shares on issue which have moved up on the market from $A1.60 to $A1.85 over the past week. An offer around the current price would require more than $A40m, which would require a major company as the bidder. The glass, plastics and packaging group, Australian Consolidated Industries, is being mentioned as the favoured candidate.

The S.A. Cold Stores counter-bid came from Metro Meat, which is a large exporter of carcasses and boneless meat to the Middle East. The bid was somewhat of a surprise as P & O already holds about 21 per cent of the capital of SA Cold Stores.

P & O already has cold storage interests in Brisbane and Sydney and is interested in SA Cold Stores to increase its penetration in South Australia.

Metro revealed that it was already studying the possibility of building a cold storage works at Adelaide, and sees the offer as an alternative strategy. It is seeking a minimum of 51 per cent of the company.

The Metro offer is $A2.25 cash a share, and values SA Cold Stores at $A4.39m, compared with P & O's bid of $A2.17, or $A4.33m

SA Cold Stores directors will meet on Friday to consider the offers and make a recommendation to shareholders.

NZ Forest Products raises dividend

By Our Own Correspondent

SYDNEY, May 16.

NEW ZEALAND Forest Products has raised its dividend despite a 19 per cent decline in earnings for the year to March 31, caused mainly by depressed local conditions and lower prices and margins on export markets, particularly for pulp and paper.

Profit for the year fell from NZ$ 25.3m to NZ$ 20.5m, although sales edged up from NZ$ 267m to NZ$ 284m. The dividend is increased from 14 cents to 15 cents.

Steps taken by the New Zealand Government to make finance more readily available should provide some impetus to home building and home improvement, and create a higher demand for building materials and supplies, the company's directors said.

The international surplus stocks of pulp and paper, especially pulp, were diminishing and by the end of this year a better balance was expected.

Sime Darby is paid U.S. $12m in Golden Bay settlement

SINGAPORE, May 16.

THE DISPUTE over ownership of Golden Bay Realty (PTE) between Sime Darby Holdings and Mr. Chng Heng Tiu and others has been settled out of court, Sime Darby said today.

The latter's appeal against an arbitrator's decision in 1977 that Sime Darby was entitled to retain ownership of Golden Bay Realty, was upheld by Singapore High Court.

Under the agreement, Sime Darby has received S$29m (U.S.$12.3m) in cash, while shares in Golden Bay Realty, which owns unsold portions of the Orchard Towers office complex, have been re-transferred to the vendors, Mr. Chng Heng Tiu and others, the group added.

Of the area of the complex, 45 per cent. has been sold in line with the original intention of the vendors, the group said.

Shares totalling 4m set aside for the purchase of the realty company, plus a bonus issue of 4m shares, have been sold to Permodalan Nasional Berhad for 17.4m ringgits (U.S.$7.2m).

"The share sale and the settlement together have unlocked more than 40m ringgits (U.S.$16.6m) for further investment in areas where higher returns are available," group chief executive, Mr. James Cott, said.

AP-DJ

Share offer at Edworks

BY RICHARD STUART

JOHANNESBURG, May 16.

EDWORKS, the South African footwear group, quoted in London, has suspended its shares as a prelude to a bid being made by the controlling shareholders for the minorities. Edworks is one of the few local groups which has both voting and non-voting ordinary shares and is controlled by the Dodo family.

There are 2.5m voting and 3.5m non-voting shares in issue.

Edworks shares were suspended yesterday after last trading at a price of 85 cents, more than double the lowest level in the past year. No price for the purchase has yet been announced, and the merchant bank involved is attempting to settle a fair price for the bid to be pitched at.

The net asset value of Edworks is now over 350 cents a share, of which two-thirds consists of net current assets.

A severe slump in profits over the past two years is responsible for the differential between share price and asset value. But interim profits announced in February showed the company as recovering, with a 50 per cent rise in profits.

This recovery corresponds with other footwear groups that have recently reported either good profits or strong recoveries in earnings.

Alliance Tire earns less

By L. Daniel

TEL AVIV, May 16.

ALLIANCE Tire and Rubber Company—Israel's producer and exporter of tyres—reports a decline in profitability for the first quarter of this year, despite a 45.4 per cent. increase in sales from I£186.3m to I£271m. ($17m).

Net consolidated profit came to I£8.5m ($520,000), against I£9.3m. in the same period of 1977, and I£3.99m one year earlier.

The marked growth in the sales reflects primarily the rate of inflation and devaluations, while the lower real profit is the result of deteriorating conditions on international tyre markets, according to Alliance president, Mr. J. Ra'anan.

Clarion gain

CLARION Company net profit in the half-year to March 31 rose to Y789m ($3.5m), from Y774m in the same period a year earlier, AP-DJ reports from Tokyo.

Sales were Y25.71bn ($114m), against Y22.73bn.

The company, the top maker of car radio and stereo sets, forecasts for the full year net profits of Y1.6bn, compared with Y1.48bn a year earlier, on sales up to Y54bn, from Y49.71bn.

Nippon Shinpan advances

TOKYO, May 16.

NIPPON SHINPAN, a pioneer in consumer credit in Japan, raised its net income in the year to March 31 by 26.4 per cent to Y2.31bn ($10.3m), from Y1.828bn in 1976.

Revenues increased 32.9 per cent to Y353.02bn ($1.6bn) from Y265.594bn.

The company predicted that, net income in the current year will rise some 26 per cent. to Y2.910bn on revenues of Y441.6bn, up 25 per cent.

Net income per share rose to Y21.81 from Y17.26.

The company, which is tapping the international capital market with a DM 50m convertible bond issue due in 1985, said that credit sales revenue was up 38 per cent to Y266.658bn, or 72.6 per cent of the total, down from 75.6 per cent in the previous year.

Consumer loan business was up 37 per cent to Y47.06bn, while housing related business rose 2 per cent to Y39.18bn.

AP-DJ

Profits fall at Komatsu

TOKYO, May 16.

KOMATSU, the world's second largest producer of construction machinery, has reported a 15.2 per cent. fall in consolidated net income for 1977 to Y12.79bn ($56.9bn), from Y15.09bn in the previous year.

Consolidated sales were up 5.2 per cent. to Y424.46bn ($1.9bn) from Y403.38bn. Domestic sales rose three per cent to Y244.82bn, and overseas sales gained 8.4 per cent to Y179.64bn. Net profit per share fell to Y18.2 from Y22.11.

Sales of construction machinery increased 6.9 per cent to Y321.12bn, equivalent to a 75.7 per cent share of the total, against 74.5 per cent a year earlier.

Sales of industrial vehicles fell $3.2 per cent to Y4.56bn.

AP-DJ.

* * *

Komatsu Forklift, the Komatsu subsidiary, has boosted its net profit from Y1.09bn to Y1.45bn ($6.4m) for the year ended March 31 last, reports AP-DJ.

Howard Smith rights issue

By Our Own Correspondent

SYDNEY, May 16.

HOWARD SMITH, a major shipping, sugar, engineering and coal group, plans to raise A$20.8m through a one-for-four rights issue to shareholders. The directors said the issue was being made to provide funds for the general expansion of the company and to provide additional working capital.

Two weeks ago Smith picked up 4 per cent of the capital of New South Wales coal group, Coal and Allied Industries, to take its equity to 50 per cent. CAIL faces a large expansion programme over the next few years to bring a new coal export mine into operation at Warkworth in NSW. Smith had been waiting almost nine months for approval to make a joint bid for CAIL with Conzinc RioTinto of Australia, the local offshoot of Rio Tinto-Zinc Corporation of the UK, but eventually called it off because the directors decided the NSW Government did not want CRA as a large shareholder in CAIL.

The issue will be made at a price of A$2.50 a share. Based on today's market price of A$4.00 for Smith shares, the theoretical value on the rights is A$1.20.

Shell Refining setback

BY WONG SULONG

KUALA LUMPUR, May 16.

TRADING PROFITS at Shell Refining Malaysia fell by 46 per cent last year to 12.13m ringgits ($5.07m) due to lower selling prices for its products, although sales registered a 21 per cent increase to 610m ringgits ($255m).

The company cited three reasons for this setback in profits. Unlike Esso Malaysia Berhad, which made a substantial gain because it paid for its oil imports in devalued U.S. dollars, Shell said that the OPEC two-tier price system in the first half adversely affected the company in that it was using expensive Kuwaiti and other Middle Eastern crudes, while its own selling prices were geared to cheaper Arabian crudes.

The company also suffered from the high price of Malaysian crude, and was burdened by a fixed price contract to a major Malaysian consumer.

Shell said that its rate of return on average capital employed fell to 6.6 per cent from 11 per cent in 1976, and if its assets were based on the December 1975 valuation, instead of book value, the rate of return would be only 4.3 per cent. This, the company added, is "inadequate for a healthy refinery operation." However, the company should find some relief when the fixed-price contract to its major consumer expires in August this year

The final dividend of 7.5 per cent brings the year's total to 12.5 per cent, and this is equivalent to last year's 25 per cent, as dividends are paid on the enlarged capital.

APPOINTMENTS

Executives for new Glaxo unit

Mr. E. R. C. Farmer has been appointed chairman and Mr. R. W. Maskell becomes commercial director of GLAXOVET, which has been formed to market ethical veterinary products made by Glaxo Group companies in the UK. Mr Farmer is managing director of Glaxo Operations UK.

*

Mr. Barry Stuttard has been appointed technical director and Mr. Peter Hare, director of product strategy, of the recently-formed RACAL DATA COMMUNICATIONS GROUP, part of Racal Electronics. Mr. Ronald Allatt has become deputy managing director, Mr. John Blackwell, engineering director, Mr. Derek Fones, operations director, and Mr. Malcolm Hearn, sales director, of Racal-Milgo.

*

The Secretary for Industry has appointed the following new members to the DESIGN COUNCIL: Professor B. Wilson, Mr. W. M. Windsor, Miss D. O'Cathain, Mr. F. Jarvis, Sir Paul Reilly, Mr. P. Boon, Mr. H. J. H. Wassell and Dr. P. A. Allaway.

*

As part of a divisional re-organisation of the LOW AND BONAR GROUP, Mr. H. C. Bowron has been appointed chief executive of the engineering division which will now comprise the original Low and Bonar engineering companies and the recently acquired GHP Group. Within the packaging division, Mr. G. C. Bonar and Mr. R. F. Dent have relinquished their executive duties, but remain on the group Board. Mr. T. M. Agnew has become director and general manager of Bibby and Baron. Mr. W. A. Jones has been made chairman of Gravure Cylinders. Mr. M. Watson is now managing director and Mr. A. S. Donald a director. Flotex has been integrated into the textiles division with Mr. S. G. Robinson remaining Flotex managing director.

Mr. H. C. Bowron

*

Mr. Brian M. Jeffrey has been appointed managing director of SWIFT AND CO. from July 31. He succeeds Mr. R. C. Joscelyne, who will continue as chairman until his retirement.

*

Mr. Eugene P. Foley has been appointed vice president, Europe, of RCA GLOBAL COMMUNICATIONS, INC., and he will be based in London.

*

Mr. T. R. Wright has been appointed purchasing director of EDMUNDSON ELECTRICAL, a member of the Charterhouse Group, and Mr. G. M. Boyd has become the company's North West regional director.

*

Mr. François M. de Maurissens has been appointed to the newly-created position of director of the BELGIAN CHAMBER OF COMMERCE IN GREAT BRITAIN.

*

Mr. David J. White has joined the Board of the WELLMAN BIBBY COMPANY as technical director.

*

Mr. H. G. Newton has retired from the Board of LAMBETH BUILDING SOCIETY. He has been deputy chairman for the last six years. Mr. P. R. H. Mullins, a director, has been appointed deputy chairman.

*

Following the acquisition of BLAKEY'S (MALLEABLE CASTINGS) by ALLIED INSULATORS, Mr. N. N. Kay has retired and Mr. A. J. Cross and Mr. R. W. Stone have resigned from the Blakey Board. Mr. Alan Lloyd, chairman and chief executive of Allied Insulators, becomes chairman of Blakey's and Mr. D. F. Summerfield, also of Allied Insulators, joins the Blakey Board.

*

Mr. F. M. G. Cadle has been appointed chairman of the COUNCIL OF INDEPENDENT INSPECTING AUTHORITIES. The new honorary secretary is Mr. Andrew Hodge.

*

Mr. John Nash has been appointed managing director of newly formed NASH HANDLING EQUIPMENT, a company set up to supply specialised attachments and components to its parent company, Bonser Engineering. He was previously managing director of Hercules Hydraulic.

*

Mr. J. E. Andrew has been appointed managing director of the newly created sheeting and coated products division of the BERNARD WARDLE GROUP. He was previously with G. D. Searle and Co.

*

Mr. John Hodson has been appointed an additional director of the YOUNG COMPANIES INVESTMENT TRUST. He is a local director of Singer and Friedlander, investment managers of the Trust.

*

Mr. M. I. Forsyth Grant retires as a director of RACAL ELECTRONICS on May 31.

*

Mr. W. C. Mink has been appointed a director of H. CLARKSON AND CO.

*

Mr. Harold R. Philpot has been elected president of the UNITED KINGDOM AGRICULTURAL SUPPLY TRADE ASSOCIATION and Mr. John G. Keeling has become deputy president. Mr. Tom Skelley has been made vice-president of the Seed Trade Executive Committee.

*

The Secretary for Energy has appointed Mr. B. W. Atkinson as a part-time member of the NORTH EASTERN ELECTRICITY BOARD for three years from June 1. Mr. Atkinson is a chartered engineer with Merz and McLellan.

*

Mr. John Woodford has been appointed chief executive of OPTREX following the resignation of Dr. G. T. Basell.

*

Air Vice-Marshal Geoffrey Ford is to take over as controller of engineering and supply for the ROYAL AIR FORCE on June 3 with the acting rank of Air Marshal. He succeeds Air Marshal Sir Herbert Durkin, who retires from the service at the end of this month.

*

The Secretary for Trade has appointed Mr. Michael Vivian as deputy chairman of the CIVIL AVIATION AUTHORITY for two years. He is a full-time member of the Board and previously held the position of group director, safety services. As deputy chairman, Mr. Vivian succeeds Mr. Robin Goodison, who has retired.

*

Mr. E. M. J. Besnard has been appointed general manager of the London offices of ALGEMENE BANK NEDERLAND N.V. in succession to Mr. L. J. Van Hellenberg Hubar, who is to take up an appointment in Paris.

*

Mr. Leo Wills, chairman and managing director of NEWMANS TUBES retires on June 30. He will be succeeded by Mr. Norman T. Dukes, who is chairman of the Ductile tube and stockholding divisions. Mr Wills is to be made first honorary president of the company. At the same time Mrs. Dorothy L. Whitehouse will be retiring from Newmans Tubes and also from the Boards of Atlantic Tubes and Abbey Tubes. The parent concern is DUCTILE STEELS.

*

Professor L. F. Crabtree, who is the Sir George White Professor of Aeronautical Engineering at Bristol University, will take office as president of the ROYAL AERONAUTICAL SOCIETY after the annual meeting tomorrow. The retiring president is Mr. Handel Davies.

*

Mr. Jewel Harrison, chairman and chief executive of Slimma Group Holdings, has been elected president of the CLOTHING INSTITUTE.

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WALL STREET + OVERSEAS MARKETS

Dow 7.5 higher in 48.2m volume

BY OUR WALL STREET CORRESPONDENT

NEW YORK, May 16.

STOCKS MOVED broadly and sharply higher on Wall Street today in heavy volume in a continuation of a month-long rally.

The Dow Jones Industrial Average finished 7.54 stronger at a new closing 1978 peak of 854.30, after reaching 861.05. The NYSE All Common Index recorded a fresh rise of 35 cents at $55.53, after $55.65, while rises outscored declines by 979 to 546. Trading volume came to 48.18m. shares, the fourth-largest day's total in history and up sharply from yesterday's figure of 33.90m.

Analysts said the gain was fuelled by news that points to strength in the economy and a perception among investors that Washington will act more decisively against inflation.

The Federal Reserve reported this morning that U.S. April industrial production rose 1.1 per cent, while yesterday U.S. Motor Manufacturers reported a 9.6 per cent rise in early May car sales.

This afternoon, the Commerce Department announced that U.S. housing starts in April were up 6.3 per cent to an adjusted annual rate of 2.19m units.

The market was further encouraged by the dollar, which rose in Europe, partly on strength of the Carter Administration's plan to trim and delay by three months its proposed tax cut.

Analysts attributed much of the early stock market advance today to demand from Europe, where the Whit Monday holiday inhibited trading yesterday.

Dymo Industries jumped 5¾ to $27¾—the Board has rejected an offer of $24 for each share from Esselte, of Sweden.

Despite the housing start figures, Housing issues were easier, U.S. Home shedding ⅜ to $8¼, and Kauffman and Broad ¼ to $7—a published report indicated that rising mortgage interest rates could depress the housing market later this year.

THE AMERICAN SE Market Value Index moved ahead 0.91 more to 143.83 in very active trading. Volume 5.96m shares (4.83m).

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Xerox	453,500	79¾	+1½
Times Mirror	333,700	50¾	+¼
Sears Roebuck	323,800	24⅞	−⅛
W. R. Grace	291,600	29⅞	+⅞
Dymo Industries	287,400	27¾	+5¾
Occidental Petrlm.	266,700	25	+¼
Polaroid	247,700	36½	−⅛
Amer. Home Prdts.	237,900	29⅞	+¼
Intl Paper	223,700	16⅛	+½
McDonnell-Douglas	225,300	34⅛	−⅛

OTHER MARKETS

TOKYO—Market sustained a sharp reaction in moderate activity. Brokers commented that there were not any unfavourable factors affecting sentiment and they attributed the retreat mainly to liquidations and cash position adjustments by institutional investors, such as Investment Trusts. The Nikkei-Dow Jones Average fell 50.68 to 5,418.83 and the Tokyo SE index came back 4.07 to 407.81.

Electricals and Cameras were prominently lower, with Pioneer Electronic, following disappointing first-half results, down Y100 at Y1,740. Canon receded Y9 to Y464, Fuji Photo Y20 to Y555, Sony Y40 to Y1,780, and TDK Y80 to Y1,960.

However, some speculatives and Commodity market-related issues firmed.

GERMANY—Continued selling pressure, chiefly from foreign investors, caused a further widespread retreat in stock prices, leaving the Commerzbank index 4.7 weaker at a new low for the year of 760.7. Brokers said that the strength of the dollar and Wall Street has caused the current German stock market weakness.

Among leading issues, Deutsche Bank lost DM 5.10, Volkswagen DM 2.90, Demag DM 4, Siemens DM 2.80, Mannesmann DM 2.70, and BASF DM 1.10.

PARIS—Market was mainly easier, depressed by expectations of capital gains tax legislation in the near future and nervousness ahead of Prime Minister Raymond Barre's televised remarks, due to-day, on economic and wages policies.

Losses were widespread, although some resistance to the lower trend was observed in Mechanicals, Electricals and Metals.

Foods was the most depressed sector, but BSN advanced 10 to FFr 481 on higher sales for the first quarter.

Thomson-Brandt lost 6.2 to FFr 183.5 on announcing stagnant sales.

Also significantly lower at the end of the day were Financiere Paribas, Midi, Viniprix, Michelin, Kali, Borel, Printemps, and CFR. Moving higher, however, were Generale de Fonderie, Perrier, Telephones Ericson, Vallourec, Lyonnaise des Eaux, Maritime Chargeurs and Skis Rossignol.

AUSTRALIA—Leading Mining and Industrial shares led markets forward in further lively trading to new highs for the year, but gains were pared in late dealings. The Sydney All Ordinary index ended a net 2.21 firmer at a 1978 closing high of 489.42.

Overseas dealers were concentrating their buying on higher-priced resources stocks while local traders showed most interest for speculatives.

BHP rose afresh to a new 1978 peak of A$6.78 before ending only 2 cents harder on balance at A$6.70.

Banks remained strong on recent profits announcements, Bank of NSW adding 10 cents at A$5.70 and ANZ 6 cent at A$3.11.

HONG KONG—Firmer in active trading, with Blue Chips leading the rise.

Hongkong Bank put on 10 cents to HK$15.20, Hutchison Whampoa 7.5 cents to HK$4.45, Jardine Matheson 30 cents to HK$13.30, Swire Pacific 10 cents to HK$7.00, and Wheelock 2.5 cents to HK$2.45.

In active second-liners, Hong Kong Wharf rose 60 cents to HK$19.00, Hong Kong Hotels 30 cents to HK$13.80, and China Engineers 10 cents to HK$2.925.

AMSTERDAM—Stocks were inclined to gain ground.

Among Dutch Internationals, Royal Dutch gained Fl 1.4 at Fl 129.5, but Unilever was an easier exception, losing Fl 0.5 to Fl 114.1 on reporting lower first-quarter results.

Elsewhere, KLM strengthed Fl 11.3 to Fl 157.5 on Wall Street influences. Ahold added Fl 1.6 at Fl 106.2, Heineken Fl 1.7 at Fl 104.5, Bredero Contracting Fl 5.5 at Fl 268.50, and RSV Shipbuilding Fl 2.8 at Fl 84.8.

CANADA—Widespread gains were recorded in active trading, with the Toronto Composite Index advancing 7.4 more to a high for the year of 1,110.5. Metals and Minerals rose 8.1 further to 938.2, Banks 1.27 to 257.09 and Utilities 1.21 to 172.08.

BRUSSELS—Mostly lower in moderate trading, but Banque Lambert improved 20 to BFr 1,570 and Sofina 55 to BFr 3,075.

SWITZERLAND — Market improved on selective demand, with interest concentrated on Bearer shares and Participation Certificates.

MILAN—Bourse prices were often higher, operators being generally encouraged by the results in the Italian administrative elections.

JOHANNESBURG—Gold shares were harder, following the upward trend in Bullion prices.

Mining Financials were mixed in modest trading. Platinums featured strongly on the commodity's sharply higher free market price, with local and overseas demand pushing Rustenburg 9 cents up to R1.30.

Indices

NEW YORK -DOW JONES

	May 16	May 15	May 12	May 11	May 10	May 9	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	854.30	824.56	840.70	834.20	822.16	822.07	854.30 (16/5)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.58	88.89	88.61	88.90	88.74	88.80	90.58 (4/1)	88.59 (16/5)	—	—
Transport	223.85	225.41	227.75	224.66	222.00	221.51	228.66 (16/5)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.09	105.49	104.50	104.47	104.85	104.84	110.98 (3/1)	102.84 (23/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	48,180	34,660	46,800	36,850	38,330	30,660	—	—	—	—

*Basis of index changed from August 24

Ind. div. yield %	May 12	May 5	April 28	Year ago (approx.)
	5.61	5.61	5.58	4.70

STANDARD AND POORS

	May 16	May 15	May 12	May 11	May 10	May 9	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	109.98	109.51	109.44	107.48	105.26	105.82	109.98 (16/5)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	99.55	98.76	99.07	97.20	95.52	95.90	99.55 (16/5)	86.90 (6/3)	125.45 (11/1/73)	4.40 (1/6/32)

	May 10	May 3	Apr. 19	Year ago (approx.)
Ind. div. yield %	5.04	5.02	5.14	4.40
Ind. P/E Ratio	9.15	9.19	8.94	10.22
Long Govt. Bond yield	8.45	8.39	8.30	7.80

N.Y.S.E. ALL COMMON

May 16	May 15	May 12	May 11	1978 High	1978 Low
55.53	55.18	54.65	54.38	55.55 (16/5)	48.37 (6/3)

Rises and Falls

	May 16	May 15	May 12
Issues traded	1,957	1,924	1,915
Rises	979	803	1,014
Falls	546	671	510
Unchanged	432	450	391
New Highs	284	162	284
New Lows	46	45	55

OVERSEAS SHARE INFORMATION

Inv. $ Prem. $2.60 to £—109¼% (109⅛%)

Effective rate (1.8100) 45⅛% (46⅛%)

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.

♦ DM50 denom. unless otherwise stated; yields based on net dividends plus tax. ♥ Ptas 500 denom. unless otherwise stated. ♣ Kr 100 denom. unless otherwise stated. ♠ Frs 500 denom. and Bearer shares unless otherwise stated. ‖ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs; including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

+ FOREIGN EXCHANGES

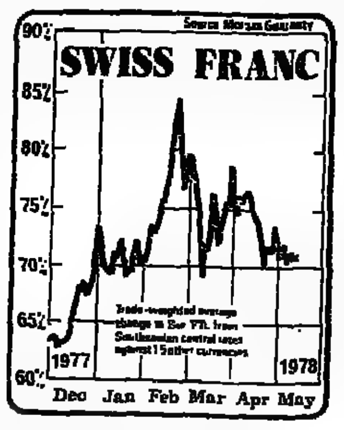
Pound erratic

Sterling plotted an erratic course in yesterday's foreign exchange market. After opening stronger at $1.8210-1.8220 in terms of the U.S. dollar, it reached $1.8245-1.8255 before falling sharply around mid-morning to $1.8125-1.8135. A large commercial selling order out of Switzerland was cited as the main cause and this in turn created further nervousness. The market seemed undecided as to how the record UK trade surplus for April, bearing in mind the various exceptional items, should be interpreted. Business was at a fairly low level for most of the morning and the pound recovered, with a little help from the Bank of England, to $1.8150-1.8170. However after the opening of markets in New York, further selling saw the rate slump to $1.8080-1.8090 and it finally closed at $1.8095-1.8105, a loss of 1.07c and the worst closing level since early November last year.

Using Bank of England figures, the pound's trade weighted index fell to 61.6 from 61.8 on Monday, having stood at 61.6 at noon and 61.9 in the morning.

The U.S. dollar continued to improve on firmer interest rates and encouraging economic pointers. Against the West German mark it strengthened to DM2.1335 from DM2.1187½ and SwFr 1.9942½ from SwFr 1.99 in terms of the Swiss franc. On Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation narrowed to 4.83 per cent from 5.08 per cent. The Canadian dollar showed a strong improvement to close at 90.21½ U.S. cents from 89.87½ U.S. cents previously.

Gold was quietly firmer during the morning but showed a weaker tendency during the afternoon to close unchanged from Monday at $175-175½.



CURRENCY RATES

	Special Drawing Rights May 16	European Unit of Account May 16
Sterling	0.668339	0.668197
U.S. dollar	1.21337	1.21416
Canadian	1.34538	1.34342
Austria sch.	18.5221	18.5168
Belgian franc	40.2293	40.2555
Danish krone	6.63107	6.96577
Deut'schem'k	2.57514	2.57518
Dutch guilder	2.75617	2.75633
French franc	5.68282	5.68303
Italian lira	1059.30	1058.60
Japanese yen	274.828	275.007
Norway krone	6.63107	6.63516
Spain peseta	98.9042	98.8957
Swedish krona	5.65734	5.65466
Swiss franc	2.41645	2.41688

EXCHANGE CROSS-RATES

GOLD MARKET

	May 16	May 15
Gold Bullion (a fine ounce) Close	$175-175½	$175-175¼
Opening	$176¼-177¼	$174¼-175¼
Morning fix'g	$177.10 (£97.190)	$175.00 (£96.112)
Afterno'n fix'g	$175.80 (£96.643)	$176.25 (£96.571)
Gold Coins, domestically Krugerrand	$180¼-182¼ (£99¼-100¼)	$181-183 (£99-100)
N'w Sov'gns	$54½-56¼ (£30¼-31¼)	$54½-56½ (£30-31)
Old Sov'gns	$54½-56½ (£30¼-31¼)	$54½-56½ (£30-31)
Gold Coins, internat'ly Krugerrand	$180¼-182¼ (£99½-100½)	$181-183 (£99-100)
New Sov'gn	$54½-56¼ (£30½-31¼)	$54½-56½ (£30-31)
Old Sov'gn	$54½-56¼ (£30½-31¼)	$54½-56½ (£30-31)
$20 Eagles	$276-279	$277-283

FOREIGN EXCHANGES

May 16	Bank Rate	Day's Spread	Close
New York	7	1.8095-1.8255	1.8095-1.8105
Montreal	8½	2.0045-2.0235	2.0045-2.0055
Amsterdam	4	4.11-4.16	4.12-4.13
Brussels	5½	60.15-60.55	60.15-60.25
Copenhagen	9	10.37-10.46	10.37-10.38
Frankfurt	3	3.85-3.86	3.85-3.86
Lisbon	18	82.55-83.50	82.70-83.20
Madrid	8	147.50-147.85	147.55-147.65
Milan	11½	1,570-1,583	1,570-1,571
Oslo	7	9.83-9.92	9.83-9.85
Paris	9½	8.49-8.54	8.49-8.50
Stockholm	7	8.45-8.52	8.45-8.46

EURO-CURRENCY INTEREST RATES

FORWARD RATES

Securities Rand U.S.$0.73 (Discount of 36.5%)

Rates: why Mr. Shore got it wrong

BY ROLAND FREEMAN

THIS MONTH'S announcement by Environment Secretary, Peter Shore, that rating revaluation will take place in 1982 on the present rental valuation basis has dashed the hopes of the professional bodies who, together with the Layfield Committee on Local Government Finance, strongly recommended a switch to capital valuation. The Conservatives firmly rejected the idea last year, so now both major parties are ranged against it. But the underlying problem remains: how can property taxation, raising some £2,000m. from householders, be based on an outmoded method of assessment bearing little relation to the reality of property tenure in Britain to-day?

Over 55 per cent. of houses and flats are now owner-occupied and in southern England the percentage is much higher. About 35 per cent. of accommodation is council-owned (or otherwise in the public sector) and no more than 10 per cent. is privately rented. Most of the latter properties are rent controlled or regulated. It is doubtful if more than 1 per cent. of the total housing stock is let on open market rents. How then can the Inland Revenue valuers arrive at new rateable values, which are supposed to reflect "the rent at which the hereditament might reasonably be expected to be let from year to year," when there is a nationwide absence of reliable evidence available to them?

When Henry Brooke (now Lord Cumnor), as Minister of Housing, postponed a revaluation for two years until 1963 he explained that it was essential to have at least 10 per cent. freely negotiated rents to enable the valuers to make accurate assessments of the rest. It seemed an astonishingly small proportion at the time, but valuation is not an exact science. The present situation is so much worse that even the Valuation Office and the Department of the Environment, in their evidence to Layfield, advised a change to capital valuation for residential property.

Unexpected

The Government appeared at one stage to have conceded the point: indeed Brian Hill of the Rating and Valuation Association wrote (Financial Times May 8) on that assumption. The latest announcement will shock the local authority associations and certainly indicates that something went wrong in the Whitehall decision-making process.

A likely factor, which also helped to turn the Conservative Party against capital valuation, was the information studied by Layfield on the probable consequences of the reorganisation. This revealed that occupiers of homes at each end of the spectrum, the very expensive and the very poor, would be sharply hit by the change. Families in the countryside would lose compared with residents in urban areas. Wales and the South East would generally face steep increases while the Midlands and the North would enjoy lower rate assessments. Flat dwellers would normally benefit in relation to house occupiers.

Electorally, the swings and roundabouts of this upheaval would probably cancel themselves out, but politicians have, perhaps inevitably, shrunk from a disturbance of such magnitude. Ministers could have provided a transitional period so that assessments were adjusted gradually to their new levels instead of abruptly on 1 April 1982. But they evidently funked the issue. And by sticking to rental valuation, in spite of almost unanimous advice to the contrary, they have merely postponed the day of reckoning.

Is there any alternative to valuation, rental or capital, as the basis of property taxation? In essence valuation attempts to relate rate demands to ability to pay, although at best this can only be rough justice. Ironically it is this very defect in rating, as perceived by the public, that attracts such bitter criticism and has led the Conservative Party into its hasty election pledge to abolish domestic rating altogether. Ratepayers do not see valuation on hypothetical rentals as a fair means of sharing out the burden of local expenditure between them. Nor does the Rate Support Grant, which subsidises on average 61 per cent. of relevant expenditure, smooth out the disparities and hardships of the system. In practice it distorts the final rate demands and obliterates the decision-making functions of local councillors, favouring urban areas over rural, or vice versa, according to the party complexion of the central government. For example, Conservative governments have tended to favour the shire counties, while the present Government has tended to shift the balance of distribution towards London and the big cities.

Given a not wholly dissimilar standard of local services, for example, education, police, fire, main roads, social services, etc., the justification for annual average domestic rate payments (1977-78) of £260 in the London Borough of Camden, £148 in Manchester, £100 in Liverpool, £74 in Carlisle and only £33 in Montgomery is hard to discern. These statistics correspond more closely to a set of random numbers than any credible measurement of ability to pay.

Key factor

Can valuation be dispensed with while not actually making the position worse than ever? The key factor seems to be the size of the rate burden itself. If more local expenditure, (i.e., that part of it which is largely nationally determined) were shifted on to general taxation the rating system could be seen in a different light.

Abolition of the education rate and all county council precepts, together with some additional revenues from transferred taxes (land development tax, stamp duties) and new charges (tourist taxes, planning fees, etc.) would reduce the district rate to the role of an annual household subscription towards local services. For most people it would amount to no more than the £50 they pay for their Road Fund Licence.

Instead of valuing property one need only measure it. Rating square metres of living space, plus garden area over a standard plot, would be simple, readily understandable and cheap to administer. Once a country-wide measurement was complete (without the need for highly qualified valuers) no "revaluation" would be required and the elaborate appeals machinery could be largely disbanded. A definition of living space, on similar lines to the concept of beneficial occupation under existing rating law, and the accuracy of measurement are unlikely to produce as many disputes as arguments about what constitutes value. Combined with a tax relief scheme to spread district rates over the population as a whole (replacing the Rate Support Grant), square metre rating could be more acceptable to householders than the present discredited rental valuation system. It is also perfectly compatible with the rate rebate provisions designed to aid low-income families.

Factories, offices and shops would remain unaffected by these proposals: they would be assessed on net annual value. But in order to iron out the huge differences in rateable resources produced by the location of industry and commerce—areas with a heavy concentration of industry command much greater rate income than farming, for example—a pooling scheme is essential. It can be organised entirely within local government although the formula, based on the "resources" element in the Rate Support Grant, would need to be given statutory effect.

By using the global sum collected in non-domestic rates to level up uneven resources the local expenditure options on a given rate poundage would be broadly equal throughout the country. Special regional needs could best be dealt with by specific grants from the Exchequer.

If the die is now finally cast on the next revaluation, pressure may grow for outright abolition of domestic rates regardless of the lack of any viable substitute. My radical alternative has naturally alarmed some professionals in the rating and valuation field. But it does maintain rating as an independent, local property tax exclusively concerned with financing district council services. It is that tier of government which is closest to the consumer and where effective local democracy and accountability resides to-day.

Roland Freeman, the Greater London Council member for Finchley, is author of a recent Bow Group pamphlet on rates.

COUNTER-INFLATION ACT 1973

The Treasury have given consent to the declaration by the following companies of dividends of the total amounts specified for the financial year ending on the specified dates:

Aurora Holdings Ltd.	Sheffield	£919,844	31.12.77
Reed Executive Ltd.	Windsor	£262,636	31.12.77
The Bowater Corporation Ltd.	London SW1	£21,377,274	31.12.77
Intereuropean Property Holdings Ltd.	London NW1	£161,297	31. 7.78
Lex Service Group Ltd.	London W1	£2,731,277	1. 1.78
Estates and General Investments Ltd.	London W1	£147,341	31.12.77
Camrex (Holdings) Ltd.	Sunderland	£528,133	31.12.77
Tern-Consulate Ltd.	London N15	£35,000	31.12.77
BSG International Ltd.	Birmingham	£2,080,367	31.12.77
Chamberlain Group Ltd.	London SW1	£645,449	31.12.77
Dunlop Holdings Ltd.	London SW1	£10,524,772	31.12.77
Lead Industries Group Ltd.	London EC2	£4,601,909	31.12.77
Toye & Company Ltd.	London WC2	£42,789	31.12.77
Amalgamated Power Engineering Ltd.	Birmingham	£1,097,742	31.12.77
Royco Group Ltd.	Marlow	£434,545	31.12.77
Tricentrol Ltd.	London EC2	£739,265	31.12.77
Babcock & Wilcox Ltd.	London SW1	£7,335,544	31.12.77
John Mowlem & Company Ltd.	Brentford	£1,494,099	31.12.77
Albert Martin Holdings Ltd.	Nottingham	£160,000	31.12.77
Corinthian Holdings Ltd.	London W1	£57,612	31.12.77
Laporte Industries (Holdings) Ltd.	London W1	£4,745,828	1. 1.78
Scott & Robertson Ltd.	Dundee	£205,727	24. 2.78
Garnar Scotblair Ltd.	London SE1	£292,073	31. 1.78
Francis Industries Ltd.	Halifax	£370,050	31.12.77
Burrell & Co. Ltd.	London E14	£388,080	31.12.77
Lindsay & Williams Ltd.	Manchester	£47,273	31.12.77

Published by the Treasury as required by the above Act

FINANCIAL TIMES SURVEY

Wednesday May 17 1978

Norway

Like Britain, Norway has high hopes pinned on development of its North Sea oil and gas finds. But meanwhile its economy is overheating, forcing the Government to introduce restraints, major industries are struggling and exports erratic.

Sailing n eavy eas

y William Dullforce
rdic Correspondent

IE NORWEGIANS have had confusing year since they last lebrated their May 17 national y. After returning the min- ity Labour Government to wer in the September general ection most of them assumed at things would chug along usual. Nothing of the kind. January the first steps were ken to cut back private con- mption. In February the one was devalued. In March e Ministry of Finance altered e long-term economic pro- amme it had tabled less than year previously towards lower owth targets. Then the central ge negotiations broke down, d in April the Government ded further belt-tightening asures, when it tabled the vised national budget.

It has been a peculiar experi- ce for a nation which had me to believe that its North a oil resources cushioned it inst the effects of the inter- tional economic recession. e delays and increasing costs getting the oil and gas out of the continental shelf have been partly responsible for creating the present difficulties but, inevitably, the Labour Government, and in particular, Mr. Per Kleppe, the Finance Minister, have come under heavy fire for allowing such an awkward situation to arise.

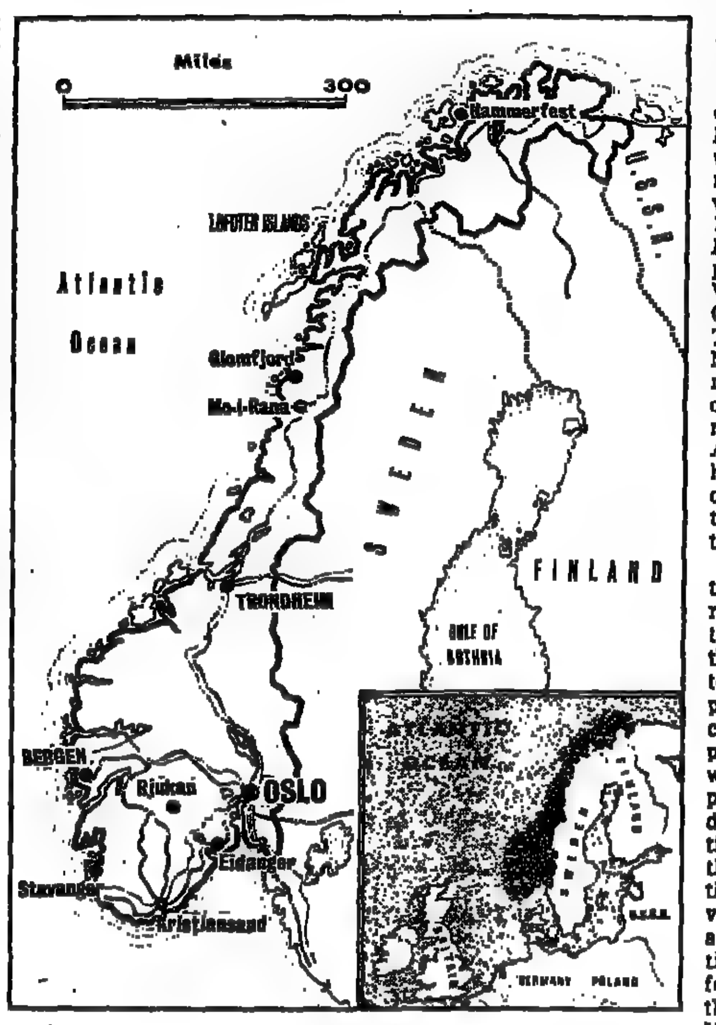
The Government has also had to negotiate some tricky passages in its foreign dealings. Most of these have stemmed from its fisheries policy. This led first to an agreement with the Soviet Union over fishing in the Barents Sea which, contrary to Norwegian tradition, was voted against by the non-socialist opposition. In addition it prompted a word of warning from the U.S. Secondly the declaration of a fisheries protection zone around the Spitsbergen islands was not only not accepted in Moscow, but also drew reservations from Norway's American and West European allies.

While navigating these heavy seas in the past few months, Mr. Odvar Nordli, the Prime Minister, has put in a solid, unflappable public performance and refused to be panicked, for instance, into abandoning his Finance Minister. On the other hand, the Government was clearly shaken when the current economic picture was detailed. Its measures to deal with the situation have not so far convinced its critics, either in the political opposition or among professional economists. This is a sensitive point, for one of the Labour party's strongest arguments during last year's election campaign was its superior competence in managing the economy.

The September election was a cliff-hanger. After the first count it appeared that the non-socialist parties had secured a majority of one in the Storting (parliament) and would oust Labour. A recount in one constituency switched the seat to the *socialists* and left Mr. Nordli's Government in command. Before the election it had been widely accepted that with the revenue from the North Sea oil about to roll the victors should be assured of two four-year mandates. That assumption may still be valid but the Labour party will have to work harder than anticipated over the next two years to make it stick.

Stabilised

The election may be said to have stabilised the Norwegian political scene in that it emphasised the polarisation around Labour and the Conservatives, the two parties which made substantial gains at the cost of the smaller parties. In particular Labour recovered the ground it had lost to the Left Socialists in 1973. The advance of Labour and the Conservatives can also be interpreted as a setback for the environmentalist, new life-style and anti-consumer society attitudes which had been most vociferously advocated by the Left Socialists and the Centre parties. But here some reservations are called for.



The interest in environmental issues, doubts about industrialism and economic growth—the so-called "green wave"—and the wish to preserve the present Norwegian way of life still have strong emotional force for many Norwegians, especially among the young. What has happened at least for the time being, is that, pursuing good democratic practice, the Labour party—and to a lesser extent even the Conservatives—has been able to absorb and cater for these trends. Labour brought off a coup against its opponents on the left, when it appointed Mrs. Gro Harlem Bruntland as party Vice-Chairman and Minister for the Environment. But Labour is committed to spending part of the coming oil revenues to meet demands which will not appeal to hard-headed businessmen.

A further reservation concerns Mr. Reiulf Steen, the Labour Party Chairman, to whom at least part of the credit must go for bringing far left voters back into the party fold. In the anathema of the Right Mr. Steen occupies a similar position to that of Mr. Anthony Wedgwood Benn in British Conservative Party attitudes. The minor cabinet reshuffle Mr. Nordli made after the election reinforced the moderate stance of his cabinet but the revised national budget presented in April appears to have been heavily influenced by the views of the party Left as well as of the LO, the trade union federation.

As argued in the article on the economy in this Survey, the revised budget does not live up to some of the aims listed in the Finance Ministry's long-term programme, issued in the previous month. This called for cuts in private consumption and public expenditure, coupled with measures to reduce company costs and stimulate productivity. Political considerations seem to have prevented the cabinet from implementing these intentions fully in the revised budget, which hardly adds up to the strong, deflationary policy anticipated and foreshadowed in statements by the Premier and Finance Minister.

The most flagrant symptom of the malaise into which the Norwegian economy has fallen is the net foreign debt, which is scheduled to reach some Kr. 100bn. (£10bn.), or roughly half of GNP by the end of this year. In per capita terms Norway is running by far the largest payments deficit in the OECD area. *The reason is that* the Labour Government, following a Keynesian line, decided to *spend Norway out of what it* expected to be a temporary international recession. Its policy of maintaining full employment, expanding domestic demand and providing for real annual wage increments was wrong in retrospect, but in 1975 could be morally and socially justified by reference to the anticipated income from North Sea oil and the belief that Norway could afford a maverick policy.

The strategy was defeated by the prolongation of the recession, the soaring cost of oil development and the delay in bringing the North Sea oil and gas discoveries on stream. But the Labour Government could be blamed for not realising in time that in a relatively small economy, in which 30 per cent. of the net national product comes from exports, its policy was putting impossible cost pressures on the export industries. In 1973 and 1974, during the big debate about how to absorb the oil revenue, Norway's economists and politicians were most concerned to avoid overheating their small economy by too fast a development of the oil resources. Last year they were introducing just such overheating by borrowing against future oil income.

The word "crisis" has been eschewed in this article, even if it has been applied by the Labour Government's domestic critics. While foreign bankers still arrive in Oslo offering loans, "crisis" is the wrong term, although one suspects that the bankers would like to see a more determined deflationary plan from the Government. The current problems are manageable, if the Labour Party can muster the political will, although it appears that we may have to wait until the next budget is published in October before we can be sure. The Compulsory Wage Settlement Board will have fixed the 1978 wage levels by then and trade union attitudes should have clarified.

The relevant long-term question concerns the wide range of intentions formulated in the Government's programme for 1978-81, including those summed up under the general heading of a "qualitatively better society." The net foreign debt, it is now calculated, could rise to as much as Kr.150bn. before it can be amortised with the help of the oil revenue. The obvious conclusion is that over the four-year period the Government will have to work out a strict schedule of priorities and postpone some social reforms and improvements.

Some shift of emphasis in this direction was apparent in the 1978-81 programme, which did give weight to "renewing" industry: it also suggested that introduction of the new sickness benefit scheme would be delayed. In the revised budget, nevertheless, this scheme went through and will become effective from July 1. The hope within Norwegian industry and among many senior economists

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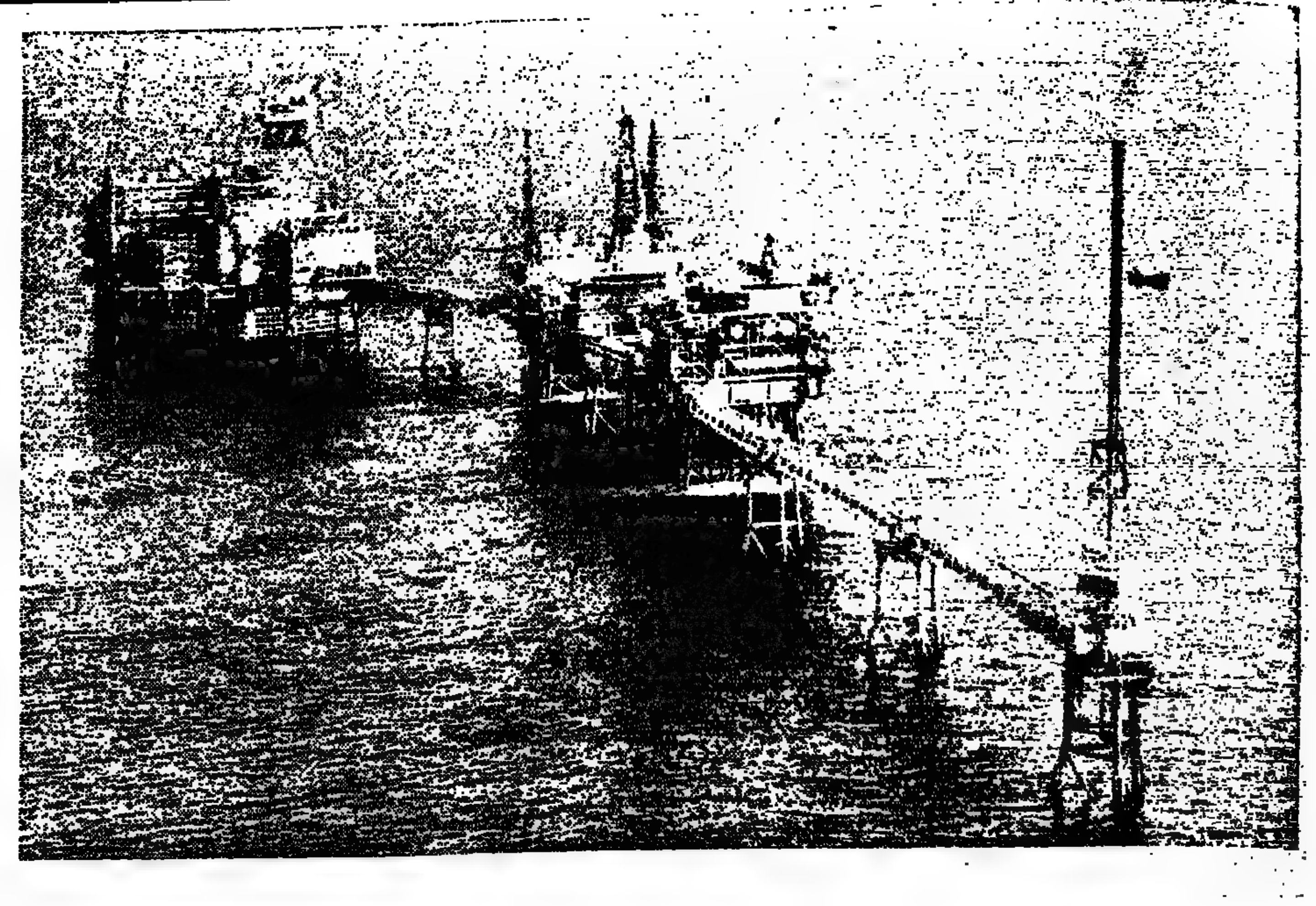

The central complex of Norway's Ekofisk Field, one of the earliest producing oil fields in the North Sea. Production began at very low rates in 1971, but built up gradually until the explosion on the Bravo platform in 1977 put the field out of commission for several weeks. However, production is again on the increase, and is expected to reach about 560,000 b/d this year, and peak at 755,000 b/d in 1980.

Foreign policy focus on the north

NORWEGIAN FOREIGN policy over the past year has focused mainly on the area north of the Arctic Circle and on relations with the Soviet Union. The arrangements made by the Labour Government with the Russians over fishing rights in the Barents Sea broke the consensus on foreign policy within the Storting (Parliament) which has prevailed for the past 30 years. They also produced a reminder from the U.S. that Norway should not forget the strategic importance of the area.

Recent Soviet tactics towards Norway have followed a blow-hot blow-cold pattern. Russian leaders and newspapers have accused the Norwegians of "militarism" and of raising tension in the area by their co-operation in attempting to improve the reinforcement capacity of NATO forces in Northern Europe. But the Russians did come to terms with the Norwegians over fishing rights in the Barents Sea and are offering to settle other outstanding issues on a bilateral basis.

Retreat

In January, shortly after the visit to Oslo of Mr. Igor Zemskov, the Soviety Deputy Foreign Minister, the Norwegian Defence Minister, Mr. Rolf Hansen, announced that West German combat troops would not be allowed to take part in NATO exercises in Norway, although medical and signals units would participate. The Norwegian Government had never made any formal commitment to NATO or Bonn about the West German troops but the announcement was seen both in the Norwegian Press and by West German opposition politicians as a retreat by Norway under Soviet pressure.

Norwegian diplomats were more inclined to emphasise the Finnish interest. On a visit to Oslo last year President Urho Kekkonen of Finland had put the introduction of West German combat forces to Norway in the context of the Soviet-Finnish treaty. Under this the Soviet Union can call for military consultation with Finland should there be any threat to Soviet security from Germany in the area.

Mr. Knut Frydenlund, the Foreign Minister, has consistently underlined that the paramount objective of Norwegian policy in the northern areas is to prevent unrest and tension. He has also emphasised membership of NATO as forming the foundation for Norwegian foreign policy. The German troops issue and the Barents Sea fishing agreement reflect the balance Norway has to maintain between its own security interests and those of its big neighbour.

The difficulties of maintaining the right balance have been increased in recent times by the growing strategic importance to the Russians of their nuclear submarine and military base on the Kola Peninsula and by developments connected with the International Law of the Sea conference. The worldwide move towards offshore economic and fishery zones has forced the Norwegians into negotiations and closer contact with the Russians. Olso has also to bear in mind that in the longer run exploitation of the economic resources of the northern areas, particularly now that they are likely to contain oil, will add further problems.

The flurry of activity in the north over the past year attracted most news space but should be put into perspective — first with the underlying continuity in Norwegian foreign policy and secondly with the country's wider interests. Norway joined NATO in 1949 after the Communist takeover in Czechoslovakia in the previous year. Nearly 30 years later the Defence Commission White Paper published in March reaffirmed the commitment to NATO as the keystone of Norway's security. It proposed to raise the level of defence spending and analysed ways of improving the NATO defence of Norway. Despite Soviet objections the Norwegians are going ahead with plans to stockpile heavy equipment for the NATO forces committed to the reinforcement of Norway in a war situation.

Later this year Norway is likely to take its seat on the UN Security Council as one of the two non-permanent West European representatives. The names of Trygve Lie, the first Secretary-General of UN, and of Fridtjof Nansen, explorer and leading actor in the old League of Nations, are enough to recall Norway's long-standing efforts to bring about international settlements. More recently the Norwegians have been very active in the preparatory committee for the UN special session of disarmament.

They have linked disarmament with another deep-seated Norwegian interest—aid for the Third World—by proposing to the UN that it should study how to switch resources released by disarmament measures to development aid. Norway itself is allocating one per cent. of its GNP to development aid this year, even though it is having to retrench in its own economy.

With the record having been set straight it remains true nevertheless that the most sensitive area of Norwegian foreign policy for the time being is in the north. These issues stand out—delimitation of the Norwegian and Soviet continental shelves in the Barents Sea and the accompanying question of fisheries jurisdiction; Norway's claim that its continental shelf extends round the Spitsbergen Islands and its unilateral declaration of a fisheries protection zone round them; the attempt to apply Norwegian administration on Spitsbergen, where the Russians, because of their coalmining operation, are in the majority.

Demarcation

Establishment by both Norway and the Soviet Union of 200-mile zones in the Barents Sea revived the unsettled demarcation issue. Norway claims that a median line principle should be applied while the Soviet Union has stuck to a sector line claim which would put the delmitation well to the west. The difference involves some 155,000 square kilometres of the continental shelf. The Russians have consistently underlined the special security status of an area which covers the sea approaches to their Kola base.

The need to assure the rights of their fishermen led the Norwegians last year to conclude in Moscow a provisional agreement covering the fisheries. This allows for joint jurisdiction in a so-called "grey zone." The zone, however, was so drawn that 23,000 square kilometres of it fell to the west of the sector claimed by the Russians—that is, within undisputed Norwegian territory—while only 3,000 square kilometres lay to the east of the median line claimed by the Norwegians.

The temporary agreement was therefore interpreted by many Norwegians as conceding too much to the Russians and establishing an awkward precedent for the delimitation negotiations, even though in an accompanying appendix it was expressly stated that no precedent was intended. The three main opposition parties voted in the Storting against the agreement.

The two countries fixed a total allowable cod catch which provided for fishing by third country — notably British — trawlers but at a reduced level. The division of the catch was accepted by the EEC. But neither the EEC nor the Soviet Union has fully acquiesced in Norway's declaration of a fisheries protection zone round Spitsbergen. The Norwegians justify this move in practical terms by the need for control of the common fish stocks which move between the Spitsbergen area and the Barents Sea and legally by the claim that the Norwegian continental shelf extends round Spitsbergen. The major Western countries have tabled reservations about this claim while the Russians have flatly rejected it.

The Norwegians have declared certain areas in the zine prohibited for fishing from May 15 and have announced regulations, involving reporting of movements and catches and net mesh sizes, for the remaining area with effect from July 1. The EEC countries will probably follow the Norwegian rules, but it is by no means clear that the Russians will. If they do not the Norwegians will face an extremely delicate enforcement problem in July.

The 1920 Treaty of Paris gave Norway sovereignty over Spitsbergen but reserved the rights of the signatory countries, now numbering 41, to exploit its economic resources. The Russians have a big coal-mining operation on the island. After a very desultory administration for some 50 years the Norwegians have in recent years been trying with modest but far from total success to exert their authority. Like the Barents Sea delimitation the question remains to be solved.

William Dullforce

Seas

CONTINUED FROM PREVIOUS PAGE

is that the Labour cabinet — or rather the Labour movement as a whole — will emerge with the right priorities from the trauma into which it fell when the facts of the economic situation were made evident. The alternative would be to move into the lop-sided, Kuwait-type economy which all Norwegians swore they would avoid.

Foreign relations have been going through a lively and more controversial phase than usual. The immediate cause has been Norway's own efforts to safeguard its fishing interests vis-a-vis both the EEC and the Soviet Union. But in the second-half of last year Soviet political pressure on Norway — measured mostly by statements in the Soviet Press and from Russian leaders — was also stepped up, apparently with the aim of preventing any increase in Norway's commitments to NATO.

The two moves which sparked things off were the extension to 200 miles of Norway's fishing limits and the decision taken last June to declare a fisheries protection zone around the Svalbard islands. The first move led to negotiations with the EEC over reciprocal fishing rights but also necessitated an understanding with the Soviet Union over fishing rights in the Barents Sea, where the two countries had so far failed to agree on a maritime dividing line. Soviet security interests in the area, which covers the sea passages to the strategic military base on the Kola peninsula, are involved.

Criticised

The so-called "grey zone" agreement obtained by Mr. Jens Evensen, the Minister in charge of the "Law of the Sea" affairs, has been criticised both at home and in Washington for giving away too much to the Russians. On the other hand it has provided a workable temporary arrangement for Norwegian fishing in the area and has been credited with winning crucial fishermen votes for the Labour Party during the September election.

Recent developments may have left some untidy ends which still have to be dealt with, but the fundamentals of Norwegian foreign policy have not changed. They still call for a judicious balance between national security, based on the Nato alliance, and the need to live with a neighbouring superpower. The feeling in some Western capitals that Norway may have made too large concessions to the Russians recently should be corrected by the long-term defence commission report presented to the Government earlier this year. After analysing the options, the report came down firmly in favour of Nato membership, advocating increased spending on defence and greater efforts to prepare for the arrival of Nato reinforcements in a crisis.

The failure to obtain a clear-cut fisheries agreement with the EEC has been due not to unreasonable claims from Norway but to the impasse in Brussels over the Common Fisheries policy. Some 80 per cent. of Norwegian trade is with the Common Market and the remaining EFTA countries. After the 1973 referendum, which split the nation and kept it out of the EEC, Norway has worked out a good working relationship with the Nine. Nevertheless the Norwegians cannot influence decisions taken in Brussels on matters which affect their interests to the same extent as if they had been a member of the EEC. The Foreign Ministry has to work that much harder.

Any attempts to analyse Norway's present situation must highlight the economic difficulties, which necessitate a change of direction in Labour Government policy, but it is important to keep those problems in perspective. The oil and gas reserves exist and will without much doubt result in an income more than sufficient to pay off Norway's current debt, even if there could be further unscheduled delays. The Norwegians do not face a disastrous or even a painful cut in living standards. On the other hand, it is arguable that they still have to find the right formula for coping with both the economic and social effects of the North Sea oil discoveries.

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NORWAY III

Moves to cool the economy

THE OVERHEATING of the economy, which a year ago was seen as the main threat to the steady growth in Norwegian affluence on the swell of North Sea oil, has become reality. The Government has had to introduce demand-curbing measures and to switch from an expansionary, counter-cyclical policy towards a moderately deflationary line. The Norwegians have been warned that after four years of regular increases in take-home pay most of them will have to accept a temporary cut in disposable incomes.

The big question now is whether the Government action goes deeply enough. The steps so far taken add up to a compromise between the sterner prescription of the Finance Minister, Mr. Per Kleppe, and the softer, politically sensitive approach of other members of the Labour Government. Mr. Kleppe has had to take the blame for forecasting developments wrongly last year. Now that he wants to correct his mistakes he has been hampered by his loss of credibility within the Cabinet. The present danger is that the deflationary moves will not go far enough to restore the competitive power and viability of the export industries.

The alarm bell which finally warned the Government it had to change policy was the payments balance. An optimistic forecast of a volume growth in exports in 1977 was belied by a three per cent. decline at the same time as import demand remained high. The payments deficit, successively upgraded throughout the year by the forecasters, finished at a massive Kr.26.5bn. (£2.7bn.). By the end of the year it was also apparent that the initial 1978 national budget prediction of a decrease in the deficit to Kr.16bn. would not stick.

Norway's 1977 payments deficit equalled 14 per cent. of GNP, the largest ever recorded by an OECD country. In absolute figures it was second only to the U.S. deficit and far ahead of the rest of the world in per capita terms. Moreover, by the end of the year the net foreign debt was around Kr.80bn. It may well reach Kr.100bn. or half annual GNP by the end of 1978.

The foreign debt in itself is not a major problem so long as there is plenty of capital in the international money market and Norway can pledge its future oil income. More disturbing is the fact that an increasing part of the debt has been falling on the so-called "mainland" economy; that is, it has not gone to finance oil investments or shipowners' orders for new vessels but has been used to boost domestic consumption and maintain full employment. By the end of this year, it is calculated, about 30 per cent. of the foreign debt will be on the mainland economy.

BASIC STATISTICS

Area:	118,914 sq miles (307,988 km)
Population:	4.03m (1976)
GNP:	Kr 146.03bn (1975)
Per capita:	Kr 36,916
Trade (1976):	
Imports:	Kr 60.5bn (Kr 68.5bn 1977)
Exports:	Kr 69.3bn
Imports from UK:	£473.4m
Exports to UK:	£623.1m
Trade with UK (1977):	£761.9m
Imports:	£761.9m
Exports:	£846.7m
Currency:	£ Kr 9.85½

Thwarted

The Norwegian Government can fairly claim that it has been thwarted by events largely beyond its control — the slow recovery from the world economic recession and the delays in getting the oil out of the North Sea. Nevertheless, it was obvious by the end of last year that its expansionary policy had got out of hand.

The unexpectedly poor performance of the export industry, which is estimated to have lost 8 per cent. of its foreign market share in 1977, highlighted the disproportionately rapid rise in Norwegian costs and prices. Analysis showed that industry's relative wage costs had shot ahead 20 to 25 per cent. faster than the average for Norway's main trading partners in the 1974-77 period.

In January the Government took the first measures to curb domestic demand through credit policy. It raised interest rates and reduced the 1978 lending ceiling for the banks. In February it turned to exchange policy, devaluing the krone by 8 per cent. against the other EEC "snake" currencies.

At the same time Cabinet Ministers were promising strong deflationary measures on the fiscal front when the revised national budget was submitted to the Storting. These promises were supported by the revised long-term economic programme issued in March, which cut the growth target for the 1978-81 period. It foreshadowed a return to a normal level in the fiscal balance and measures to restore industry's competitivity as well as reducing the payments deficit.

In the event the package of measures announced in April together with the revised 1978 budget plan fell short of this build-up. The credit ceiling for the private and savings banks was cut by a further Kr.1.1bn. while lending by the State banks was only marginally reduced. Fiscal measures were aimed at curbing private consumption, which is now expected to grow by two per cent. this year compared with the 3.2 per cent. allowed for in the original budget. Public consumption is scheduled to grow by 3.6 per cent.

The claim that the package would take Kr.1bn. of purchasing power out of the economy this year rested mainly on the "saving" in Government spending caused by the breakdown in the annual incomes settlement negotiations. The Government will not now put through the reduction in taxes which was to have been its contribution to the annual wages agreement. The total effect of the package, it is estimated, will reduce the deficit in the State budget (i.e. excluding the social security budget) from Kr.8bn. to Kr.7bn.

Now one of the strongest inflationary elements in the economy has been the acceleration in the State budget deficit from a surplus in 1974 to a deficit of over Kr.2bn. in 1976 and Kr.5.5bn. last year. The growth in the public sector borrowing requirement has been even more dramatic, rising from Kr.3.5bn. in 1974 to Kr.10bn. in 1976 and over Kr.14bn. last year. It will decline only slightly this year.

The growth in GNP in 1978 is now targeted at 4.2 per cent. roughly the same as in 1977, against the 6.8 per cent. estimate of the original budget. Excluding oil and shipping, growth is expected to be 1.2 per cent. compared with the earlier estimate of 2.5 per cent. Nevertheless the measures in the revised budget are scarcely compatible with the stronger deflation indicated in the revised long-term programme and foreshadowed in Ministers' earlier statements. They may also not go far enough to help the export industry.

The official line in the Finance Ministry is that more restrictive action can be expected in the 1979 national budget, which will be submitted to the Storting in the autumn. Rather than employ shock tactics, it is stated, the Government has plumped for a gradual tightening, which is more compatible with the political aim of maintaining full employment. At the same time employment policy is to be "more flexible" with less State support for companies in financial trouble but with an increase in spending on retraining schemes.

The failure to cut public spending more sharply is justified by the argument that a Kr1bn. a year reduction in public consumption would save Kr100m. on imports but make 10,000 unemployed, while a Kr1bn. cut in private consumption is calculated to cut imports by Kr300m. and affect only 3,000 jobs. The Ministry anticipates that it will have obtained a zero growth level in import demand and private consumption by the end of this year.

Accurate

The Ministry further believes that its forecasting is now more accurate and more cautious. The Kr 5bn. reduction in the oil income estimate made in the revised 1978 budget could well be too great, while it is confident that the Kr.20.8bn. payments deficit forecast will not need to be revised upwards again this year.

As far as the export industry is concerned, the Ministry expects the compulsory wage settlement court to plump for only nominal wage increases this year. Wage drift, which was running at 6.5 per cent. last year, could still be a problem while the labour market remains tight but the Government's position is that employers could do more themselves to hold back rises, while the devaluation is thought to have improved their relative costs.

The suspicion remains, however, that the Finance Ministry at least recognises the inadequacy of the deflationary measures so far taken and will be pressing for tougher action in the 1979 budget. There are some signals in the support programme for the shipyards which the Government has just tabled in the Storting. If followed through, this would have the effect of cutting the level of Government support and forcing yard managers to be more chary about keeping on workers they do not strictly need.

In their public statements Ministers continue to give priority both to maintaining employment and to the importance of bringing about structural changes in industry. They do not explain how they hope to attain both goals simultaneously. It would seem to call for a very high level of restraint on the union side.

Looking back over the development of the Norwegian economy in the past two years one gets a picture of growing payments deficit, increasing costs, a high consumption rate and steady growth in real incomes, and a dramatic increase in the State budget deficit. One can hardly avoid the assumption that these factors are interrelated and add up to a conclusion that the Labour Government has established an income level and standard of living for its people which the country cannot yet afford.

To restore equilibrium, considerably greater cuts in incomes and consumption would be required than the Government has so far decided on. The majority of the Cabinet may possibly speculate that the long-awaited upturn in the world economy is finally within sight and that Norway can continue to rely on the complaisance of foreign bankers until things improve. In the medium term the oil revenue would be big enough to restore the Government's options. Such a policy could be very unfortunate for Norwegian industry.

W.D.

Curbs on bank lending

THE MOST significant single development affecting Norwegian banking during the past half year has been the Labour Government's decision to shift from its low interest policy. The move was made early in December as part of the Government's belt-tightening programme. It marked the end of a strategy successive Labour Governments had pursued ever since the war—holding interest rates well below European levels in order to encourage the high rate of investment which has been a feature of the Norwegian economy in the post-war period.

The disadvantage of keeping interest rates artificially low is, of course, that not only industrial investment is encouraged. Families and individuals are tempted to "invest" in costly consumer durables financed by borrowing, particularly when the rate of inflation is so high that it actually pays them not to delay their purchases until they can pay cash. Add to this a tax system which makes interest payments on loans deductible and it soon becomes folk wisdom that saving is out.

Faced with a soaring payments deficit caused in large part by the consumer boom, Labour's economists reluctantly decided that interest rates would have to rise. On December 2, as part of a package of austerity measures, Finance Minister Per Kleppe announced that the State banks' interest rates would rise by 1 per cent. He also announced that the Government would end its "understanding" with the private banks which obliged them to hold down their interest rates on advances and deposits.

For a while at least they would be allowed to fix rates themselves, but he warned that the Government would watch developments closely, and re-impose regulations if this seemed necessary. An important proviso was that the banks' interest margins must remain unchanged.

In the event the banks practised their newly-won freedom with great caution. Their two associations (for the commercial and savings banks) agreed to recommend member banks to increase rates by only 1 to 1½ per cent. When a few savings banks and one commercial bank in the counties of Agder and Rogaland began exceeding these limits, in an attempt to win new customers, the savings and commercial banks' associations urged them to reconsider, and called on other member banks not to follow suit. So far the interest rate "war" has not spread significantly.

Batch

By end-January Government concern at the worsening economic situation led to a new batch of austerity measures, again designed to curb borrowing and encourage saving. Hire purchase rules were tightened, and the banks were asked to be stricter about granting loans to finance consumer buying. Most of them responded promptly to this appeal—among other things by temporarily suspending the special borrowing privileges granted to customers with "wage accounts" (accounts into which wages are paid directly).

Previously, customers with wage accounts were allowed to borrow one to two months' wages without security and without the loan having to be approved by their bank managers.

One of the few banks reluctant to suspend the "wage account" borrowing facility was the Norwegian TUC's own bank, Landsbanken. Eventually it fell into line, under heavy pressure from the Bank of Norway. Its resistance illustrates, however, the trade union movement's latent hostility towards any significant restriction of consumer credit, something it regards as "unfair" to the working class.

This month a further drastic step is being taken to curb bank lending, by a Government decision to impose additional reserve requirements. Banks exceeding their new, reduced lending quotas will have to pay an amount corresponding to 50 per cent. of the excess into a special non-interest-bearing account with the Bank of Norway. It is worth noting that the banks themselves believe this regulation is necessary if they are to manage to keep within the Government's lending limits.

Perhaps as a concession to critics within the Labour and trade union movement, Prime Minister Odvar Nordli announced last month that the Government is to appoint a Royal Commission to study the role of interest policy in economic strategy generally. Specifically it will report on the role played by interest policy in this year's series of austerity measures.

The newly elected chairman of the Commercial Banks' Association, Mr. Tor Moursund, believes the commission's mandate should be widened to include a study of the whole structure of Norway's credit market. He pointed out that circumstances have changed considerably since the subject was last reviewed by a similar commission 14 years ago.

Among other things the State banks have increased their share of the total credit market at the expense of the private banks. Now that the private banks have acquired a new character, with the enactment of the law to make them more democratic, they should be entitled to recover some of the market share lost to the State banks over the past two decades, Moursund argued.

An important step towards implementing the bank democratisation law was taken last month, when the Storting appointed some of the "public watchdogs" who will henceforth have a majority on the commercial banks' representative councils. The Storting appointees will sit on the representative councils of the 11 commercial banks whose interests span several counties or the whole country. Selection of public appointees for the more locally based commercial banks has been delegated to county councils.

The likely longer term effects of the new law remain to be seen. Of particular interest is the extent to which bank shareholders will exercise their option to sell their shares to the State. They have three years in which to decide whether or not to sell—either at the market price on January 1 last, or at the average price over the preceding three years, whichever is the higher.

It is clear that both the banks and the Government are hoping most shareholders will not sell. The banks hope to avoid being gradually nationalised. The Government hopes to avoid the enormous cash outlay which such a development would involve. Even if only a fifth of shareholders should decide to cash in their shares, it would cost the State Kr.500m. In principle, the Government hopes to re-sell any shares it has to buy, provided this can be done without significant loss. But would there be any buyers? Kr.500m. corresponds to the past five years' turnover of bank shares on the Oslo stock exchange.

Fay Gjester
Oslo Correspondent

Complex decisions on North Sea finds

FROM THE BEGINNING of this year Norway has had a separate Oil and Energy Ministry committed to speeding up the pace of North Sea oil development. The change is one of emphasis not a revision of Norway's hitherto cautious go-slow approach. Circumspection is still the watchword and there will be no gut-breaking, American-style drive to get the oil out of the continental shelf. But with the support of the Conservatives, the largest opposition party, ensuring them a majority vote in the Storting, the Labour Government is opening up new blocks for exploration at a faster rate than had been anticipated a year ago.

The reasons are the delays and soaring costs of bringing the present discoveries into production, the downgrading of future production estimates and the country's swiftly growing foreign debt. An increasing portion of the short and medium-term income is being mortgaged to maintain full employment and Norwegian living standards during the world economic recession.

The Government has no intention of breaking through the guiding ceiling of 90m. tonnes a year for oil output laid down by the Storting. Nor will it need to, so long as there is no dramatic collapse in the price of oil. But the most recent production forecasts result in a curve which would peak at 66m. tonnes in 1981, settle on a slightly lower plateau through the 1980s and then plunge precipitately from 1990 onwards. New fields must be discovered soon if output is to be maintained after 1990, and after the disappointing delay in the oil revenue flow over the past two years it would obviously be better policy to have discoveries in reserve so that production and income can be stepped up towards the 90m.-tonne margin, if necessary.

In the new long-term economic programme the forecast gross oil income in the 1978-81 period is Kr 115-120bn. (£11.5-12bn.) or some Kr 25bn. lower than that given less than a year earlier. The anticipated State oil revenue has been reduced by about Kr 17bn. to Kr 52.5bn. for the same four-year period. These predictions assume that oil prices will rise in line with the rate of inflation in the OECD area and have taken into account the effect of the devaluation of the krone in February.

By the end of 1977 just over Kr 32bn. had been spent on developing Norwegian North Sea oil and gas and the total costs for bringing the existing commercial discoveries into production were then put at Kr 78bn. But this figure is certainly an underestimate. There have been several warnings recently that further increases can be expected in the Statfjord costs. Financially, therefore, a strong case exists for trying to maximise oil income.

Among the other factors supporting swifter development are the reduction in the estimates of proven recoverable reserves and the failure to meet production targets. The Oil Directorate now puts total recoverable reserves at 1.33bn. tonnes oil equivalent (toe), which is 250-350m. toe lower than the oil companies' own estimates. The Oil Ministry has cut back its 1978 production forecast by 6m. toe and the 1979 forecast by 3m. toe.

The Norwegians' change of plan centres on the new blocks now up for allocation and for which the oil companies have to submit bids by June 1. This fourth concession round covers 15 blocks and the so-called "gold block," 34/10, which is being reserved for an all-Norwegian group comprising Statoil (85 per cent.), Norsk Hydro (9 per cent.) and Saga (6 per cent.). Originally, the Oil Ministry intended to allocate only a few of these blocks to begin with, reserving the others until the results of the drilling on the first allocations had come in. Now the plan is to allocate all 15 as fast as terms can be agreed. Staff limitations and the companies' greater interest for some blocks than others will mean that allocations will be spread over a period of time but the Ministry is prepared to release all 15 before any drilling results are in.

Hedge

It is trying to hedge against the possibility that too many new fields may be discovered by including in some licences a clause giving the Norwegian authorities the right to delay development of a discovery for a period of time. Other innovations in the Norwegian approach to the fourth concession round are that the applying companies, which have already been operating on the Norwegian continental shelf, are asked to detail the purchases they have been making from Norwegian industry and that each applicant is asked to indicate its plans for "setting up business in Norway or co-operating with Norwegian companies" in fields other than oil.

A second line the Oil Ministry is considering in its efforts to speed up the pace of oil development concerns the so-called marginal fields, where reserves are too small or locations too distant from current field developments to make them commercially attractive. The Ministry is now "seriously examining" ways of offering the licensee companies incentives to exploit the so-called Frigg satellite discoveries and the Odin, Heimdal and Sleipner fields. Incentives could include reduced royalties or even tax concessions but one idea mooted is that companies holding licences for marginal discoveries could be given preference in allocating new blocks if they agree to develop marginal fields. As in the licences issued in the third round, the State will take at least a 50 per cent. interest through Statoil in the blocks allowed without having to pay any exploration expenses until a commercial discovery is declared.

Until June 1, when applications have to be submitted, it is difficult to assess how the companies are reacting to this combination of incentive with the Norwegian authorities' efforts to link concessions with support for Norwegian industry. Initial interest has been keen with several companies new to the Norwegian shelf—German, Swedish, Canadian and Spanish—apparently ready to bid.

The exploratory drilling on the fourth-round blocks will almost certainly determine the Norwegians' attitude towards the building of a gas-gathering trunk pipeline, through which Norwegian gas could be pumped into the Continental network. An alternative proposed is a joint British-Norwegian trunkline. Proven gas reserves on the Norwegian side are so far insufficient to warrant the investment in such a lengthy sub-sea pipeline but if the reserves were doubled by new discoveries financing the pipeline to the Continent would take on another aspect.

The "gold block," 34/10, will be the next major landmark in Norwegian oil development. The geological prospects are very promising, the block is close to Statfjord and oil or gas finds could probably be developed in conjunction with that field. The Oil Ministry wants drilling to start on 34/10 this summer. The three Norwegian licensees are seeking a technical assistance agreement with an international company for the exploratory drilling. Nine companies have shown interest but the exact nature of the international's engagement—whether it should have the right to buy part of any oil or gas eventually discovered—has still to be clarified.

Postponed

The move northwards of the 62nd parallel has now definitely been postponed until 1980. The original plan to open up first the area off Troms and Vest Finnmark for exploration with two rigs each drilling two holes still pertains, but the Storting wants more reassurance of protection for the North Norwegian fisheries and of anti-pollution control before it gives the final go-ahead. Local interests are divided, the decision is politically sensitive but the odds are that a cautious start will be made in the early 1980s.

The blow-out of the Bravo platform in April, 1977 has certainly delayed the start of drilling north of the 62nd parallel but in other respects the ripple effects of that accident may be said to have affected the cost but not the pace of oil development on the Norwegian shelf. The authorities were "lucky" in that the blow-out did not cause any fire, explosion or loss of life and that the oil spilt was no more than could be coped with by the natural forces of the sea and wind. Safety measures have been tightened and the Oil Directorate has stepped up its demands on the basic security of production platforms, thereby raising the cost of development.

Recently the Aker shipbuilding group calculated that the development costs for the S[...] fjord field could eventu[...] total Kr.125bn., a colossal [...]crease from the current, ad[...]tedly too low, estimate [...] Kr.40bn. Aker has not justi[...] its estimate but representat[...] of the oil companies invol[...] have complained that the [...]jected internal rate of ret[...] on their investments in S[...]fjord—the biggest discovery [...] the North Sea—has shrunk [...]nificantly.

For the record, by the en[...] March 45.8m. tonnes of oil [...] 5.5bn. cubic metres of gas [...] been produced from the [...]wegian continental shelf, [...] overwhelming bulk from [...]fisk. Production was sched[...] to reach over 30m. tonnes [...] year. By the end of 1977 [...] Norwegian State had ear[...] some Kr.5.5bn. from oil but [...] income should now [...] quickly to give Kr.16 to 18bn [...] 1981, when Ekofisk will sti[...] by far the largest contrib[...]—a reminder of the time s[...] involved in getting offshore [...]coveries into production.

Under present plans [...] Ekofisk fields are expected [...] reach a peak output of 660 [...] barrels of oil a day and 17-1[...] cubic metres of gas a yea[...] 1980. The oil pipeline to T[...]side and the gas pipeline [...] Emden are now in use. Of [...] satellite fields production f[...] West Ekofisk and Cod starte[...] the end of last year and [...] Tor field is now linked [...] Three more minor fields, [...]fisk, Edda and Albuskjell, [...] scheduled to contribute to [...]put in 1979.

Gas started to flow from [...] British side of the Frigg fiel[...] St. Fergus last year and pro[...]tion is scheduled to start f[...] the Norwegian side, which [...]tains 61 per cent. of the [...]coverable reserves, later [...] year. Frigg is estimated [...] give the British Gas Corp[...]tion over 8bn. cubic metre[...] year in the next decade.

Further delays are an[...]pated in getting the Statfj[...] field on stream. The "A" p[...]form, which has a capacity [...] 300,000 barrels of oil a day [...] scheduled to be ready for [...]duction next year but a q[...]tion mark still hangs over [...] date. In December the N[...]wegian Oil Directorate fin[...] approved the blueprint for [...] integrated drilling, produc[...] and living quarters platform [...] the second phase of deve[...]ment. The order for this "[...] platform of Condeep type [...] gone to Norwegian Contract[...] It will have a capacity [...] 180,000 barrels a day and [...] scheduled to deliver oil in 1[...]

W.

Feedstock plants hit problems

A NEW 380,000 tonnes-a-year methanol plant using gas from Norway's Ekofisk field as feedstock will come on stream this month at Delft in Holland. There will be no festivities to mark its opening. An executive of Dyno Industrier, a Norwegian partner in the enterprise, explained why: "The situation in Europe's chemical industry just now doesn't exactly warrant celebrations."

For technical reasons production will be brought up to capacity during running in. Thereafter it will be reduced again to run well under capacity, like most other methanol plants in Europe at present. Potential output far exceeds demand.

The Delft factory is one of the smaller downstream developments built to add value to Norway's North Sea gas finds. Its situation is, however, sadly typical of the petrochemical projects spawned by North Sea discoveries. They were planned when consumption was booming and prices were rising. They were built during the cost explosion which followed the 1973 Middle East war. They are starting to produce in the middle of a severe recession and excess capacity looks like being around far into the 1980s.

In Norway itself two major industrial undertakings owe their existence to North Sea oil—the 4m. tonnes-a-year refinery at Mongstad in west Norway, and the petrochemical complex at Rafnes near the east Norwegian industrial town of Porsgrunn. The State is heavily involved in both but both have been dogged by problems from the start—construction delays and cost over-runs generally; at Mongstad a big fire; at Rafnes an expensive delay in supplies of the cheap feedstock (natural gas liquids from Ekofisk) which were supposed to provide the very basis for the plant's profitability.

The Mongstad refinery was initially owned 60 per cent. by Norsk Hydro and 40 per cent. by Norsk Brændselolje, BP's Norwegian affiliate. In 1975 the Labour Government bought out most of Brændselolje's Norwegian interests, some of Norsk Hydro's, and a small co-operative oil products company in order to create Norol, a State-dominated refining and marketing concern. This altered Mongstad's ownership structure, giving Hydro and Statoil, the State oil company, stakes of 30 per cent. each, with Norol holding the remaining 40 per cent.

Mongstad was an expensive refinery. It cost NKr 1.2bn., against only NKr 0.3bn for Esso's 5 million tonnes-a-year refinery built some 15 years earlier in eastern Norway. Burdened with high depreciation costs, it was an expensive refinery to operate. This was a handicap for Norol. So was the high cost of the Ekofisk crude which Mongstad refines. Norol and Statoil argued about crude prices while Norol's losses mounted. It had inherited a NKr 39m loss on Brændselolje's 1975 operations, a top-heavy administration following the three-company merger and a partly obsolescent distribution network that needed modernising and expanding. After further losses in 1976 and 1977, it was almost insolvent.

Dashed

Norol's board hoped that the Government would provide some NKr 300m. in additional equity capital to put it on a firm economic footing. Last month, however, these hopes were dashed. Using its dominant voice in the company's shareholders' meeting, the Ministry of Oil and Energy pushed through the sale to Statoil of Norol's 40 per cent. stake in Mongstad. The final price was only NKr. 250m.—NKr. 25m. less than that approved by Norol's board and corporate assembly.

The deal, which also obliges Norol to buy refined products solely from Statoil in future, demotes the company to a kind of subsidiary of Statoil. It has already provoked the protest resignation of Norol's deputy Board chairman, Jen Halvard Bratz, and considerable criticism from the Opposition.

The story of the Rafnes petrochemical complex is hardly a happy one either. The sole justification for building it was the promise of artificially cheap feedstock from Ekofisk. An undertaking to provide the natural gas liquids (ngl) for at least 15 years, free of transport charges and at below market price, was given by the Phillips Group, licence-holders on Ekofisk, in exchange for Norwegian Government permission to pipe the Ekofisk oil to Teesside in Britain.

With this agreement sewn up, the Government planners reckoned they could not go wrong. Norsk Hydro, in which the State has a controlling interest, would have liked to have handled the project on its own. Instead it was obliged to form a partnership with Statoil, and Saga, a new private enterprise oil consortium, and work began on Norway's biggest ever industrial development.

It was to include a 300,000 tons per year ethylene cracker, as well as facilities for the production of propylene, polypropylene, chlorine, vinyl chloride and low and high density polyethylene. The industrial concern Borregaard, which took a 50 per cent. stake in the chlorine plant, indicated that it might later be interested in building a vinyl acetate plant as well.

Costs climbed steadily, and are now expected to exceed Kr.4bn.—far above initial estimates. The big shock came, however, as the ethylene cracker neared completion, while Phillips still could not promise a firm date for the start of ngl deliveries.

It claimed unavoidable delays in building a separation plant at Teesside, and the cracker had to be run in using substitute feedstock bought at high prices on the open market. The Rafnes partners threatened to sue for some $75m., and Hydro president Johan Holte remarked bitterly that the separating plant could have been built faster at the North Pole.

It now seems likely that an out-of-court settlement will be reached, and ngl deliveries may start this autumn. There is little doubt, however, that the feedstock delay has cost the Rafnes partners a tidy sum. On top of that, prices for Rafnes finished products have been declining. Another recent setback was the refusal of planning permission for a pvc plant which Hydro hoped to build in Denmark, jointly with Sweden's Kema Nord. The plant would have provided an outlet for part of the Rafnes vinyl chloride.

Not surprisingly, neither the Government nor the companies involved have yet conceded that Norway might have been better off if neither the Mongstad refinery nor the Rafnes complex had ever been built. Norway

CONTINUED ON NEXT PAGE

Industry to be rebuilt

"WE CANNOT live off services and oil revenues. If we are to maintain and in time improve [illegible] welfare society, it is vital [illegible] have an industry capable of [illegible] its own on the world [illegible] with good products at [illegible]etitive prices." So says Mr. [illegible] Haukvik the new Minister [illegible]dustry appointed in the Labour Cabinet reshuffle [illegible]uary last.

[illegible] could be regarded as a [illegible]place statement for a [illegible] his job but Mr. Haukvik [illegible] fact signalling a change [illegible] emphasis in Government [illegible]. The intention is to [illegible]ish the conditions for the [illegible]cturing of Norwegian in[illegible]y which has long been [illegible] about.

[illegible]e need has become com[illegible]ng. Industrial production [illegible]stagnate for the fourth year [illegible]ing in 1978. The export in[illegible]tries are estimated to have [illegible] 8 per cent. of their market [illegible]res last year and anticipate a [illegible]ther six per cent. reduction [illegible] year. Their poor perform[illegible]ce in 1977 negated the Govern[illegible]ent economists' forecasts and [illegible]roduced the surge in the [illegible]oreign payments deficit which [illegible]inally convinced the Government it had to change its economic policy.

Three general influences have been at work on Norwegian industry. They are the slowdown in international economic growth, the disproportionate increase in domestic costs and competition from new producers—which implies that some sectors like shipbuilding cannot continue to operate at their present capacities.

Not all Norwegian industry is doing badly and even within some exposed branches individual companies still manage to turn in profits. But traditional Norwegian exports are concentrated within a very few industries, some of which are in bad trouble while others face limits to their expansion.

Capacity utilisation in the pulp mills last year was not much more than 50 per cent. while the paper and board mills operated at 70 to 75 per cent. of capacity. The industry is estimated to have made losses of Kr.135m. in 1976 and Kr.200m. last year.

Exports of iron, steel, and ferro-alloys have fallen by 20 per cent. between 1974 and 1977 and producers are running at an average capacity utilisation of 70 per cent. The aluminium plants are still making profits but have not reached their production targets, while exports of other non-ferrous metals have dropped by 30 per cent. since 1974. The big advance in engineering exports forecast in 1974 has failed to materialise.

Set against this sombre record is the growth in the offshore construction and supply business prompted by North Sea oil development. This is a field in which Norwegian companies have shown both vitality and technical ingenuity and where prospects remain good, even though expansion has not so far come up to expectations.

Elsewhere, the chemical industry has defended its positions, even if fertiliser exports have declined, and fish products have given both larger exports and good earnings. There has been a surprising recovery in textiles while the "sheltered" branches have benefited from the strong growth in domestic consumption.

Credited

The Labour Party is generally credited with having laid the foundation for Norway's industrial development while rejecting outright nationalisation. Socialist steering has been exercised through credit policy, corporate taxation and control of the cheap hydro-electric resources which motivated the development of the aluminium, ferro-alloy and other metal-working industries.

In recent years, however, many industrialists have felt that the extension of social security charges, State subsidies and other instruments for steering the economy has inhibited industrial change. Labour Ministers' latest statements indicate a wish to return to the former balance, but they have yet to be followed by convincing action.

Mr. Haukvik makes the following points in explaining the new direction for Government policy:

State support will in future be aimed more at companies with growth potential. Operating subsidies (to maintain employment) will be cut back sharply:—

- Greater mobility of labour must be achieved.
- Companies' profits and equity are too low and must be allowed to grow.
- The tendency for companies in trouble to rush to the Government for help must be resisted.

Some figures illustrate how pertinent these points are. During the September election campaign Labour Ministers boasted that one-third of the jobs in manufacturing industry benefited from State subsidies—a sad comment on the viability of those companies. A Federation of Industry survey of 1,122 companies showed that in 1976 their combined operating income was Kr.797m. on total sales of Kr.81.6bn. Net earnings after tax were Kr.1.27bn., boosted mainly by various State subsidies totalling Kr.2.3bn. At the end of 1976 the equity ratio of these companies had fallen to under 17 per cent.

The Government has made two moves towards fulfilling its new policy this year. A Bill before Parliament would provide Kr.220m. in State credit guarantees for company loans to be used for rationalisation and development and Kr.58m. for largely State-conducted research projects. In addition companies would be allowed to convert Kr.200m. of loans taken to pay for environment investments into share capital and would get a one-year moratorium on interest payments and amortisation of Government loans granted in 1973.

Then, in the packet of fiscal measures accompanying the revised national budget, the Government abolished the tax on company investments, a relief worth some Kr.630m. in a full year. It was, however, offset by an increase in the tax on electricity and in sickness benefit charges, leaving a net boost for industry of only Kr.180m.

In answer to company complaints that these measures do little to improve their relative cost position, the Government argues that the 8 per cent. devaluation in February should soon take effect, that nominal wage increases this year will be held back by the compulsory wage settlement court and that the employers themselves can resist wage drift.

This last admonition ignores the tight labour market situation brought about by the Government's commitment to maintaining full employment and its pressure on companies to retain workers, even when capacity utilisation is low and lay-offs called for. Mr. Haukvik has stressed that the Government drive for industrial change is long-term and will not be affected at the cost of employment in the short term.

Ambiguous

The Government's labour market policy remains ambiguous, perhaps designedly so in view of its delicate relationship with the unions. The puzzle remains of how Norway is to retain its present full employment and at the same time effect the changes within industry which are needed to secure jobs in the longer term.

The psychology implicit in the present situation is hardly favourable to industrial innovation. "Companies which are condemned in the market place can always appeal to the higher Government court," as one industrialist put it. The message from the Government is that it will no longer listen to such appeals but there is much scepticism about the ability of Ministers to resist calls for State subsidies backed up by local union delegations. This will be one test of Government intentions to watch over the next two years.

Another concerns company profits and share capital. The Oslo stock market in its present depressed state is scarcely a promising source of new capital, and even if companies were allowed to retain larger profits to pay shareholders taxes on dividends are so high that they cannot compete with the return savers can obtain from bank deposits.

The problems facing Norwegian shipping are a factor here. The shipowners, traditionally one of the most dynamic elements in the Norwegian economy, were for long substantial purveyors of risk capital through the stock market. The shipping business has shrunk and its profits declined. The Government has here again still to explain its new attitude to company finances. Prime Minister Odvar Nordli has reiterated that it is not Labour Party policy to nationalise industry.

A third foggy area concerns the directions in which Norwegian industry may be supposed to develop. Oil-related industry is obviously one, although there is little chance of further petrochemical developments in the near future. But for the traditional Norwegian industries the question meets with a different answer almost each time it is asked.

The numbness over future growth prospects may be explained by industry's present cost predicament which makes it difficult for companies to pinpoint profitable fields for investment. A determined Government effort to stabilise the economy and restore the relative cost situation would in itself stimulate thinking and release initiative.

The fog would also disperse if the Government would finally settle its energy policy. Until the argument over the proper price for power and the availability of new energy sources is settled, the energy-intensive industries cannot really plan future investment.

It would be wrong to end on a negative note. Although industrial investments are expected to fall by 12 per cent. this year, they have beenu at a very high level for the past three years and many branches have considerable idle capacity for both production and productivity increases. This could be released if the Government succeeds in deflating the domestic economy, restoring cost levels and perhaps even easing the labour situation.

For the longer term restructuring of Norwegian industry it must be said that both the diagnosis and prescription appear to be agreed. The question is when the treatment starts.

W.D.

Merchant fleet cut

AS THE world shipping crisis enters its fifth year, there are signs that some Norwegian shipowners are cutting their losses. Sixty-two Norwegian ships totalling nearly 2m. dwt were sold out of the country during the first quarter of this year. Seventeen of them, totalling 1.3m. dwt, were tankers, and seven of the tankers were sold for scrapping.

The figures show a dramatic rise from last year, both in tonnage sold and in the number of tankers scrapped. In the whole of 1977 only three Norwegian tankers were scrapped, and total tanker sales reached only about 2.5m. dwt.

Oslo observers believe the trend will continue and even accelerate, and that Norway's merchant fleet may fall from its level at January 1 last of 48.75m. dwt. to 43m. or even less by the end of this year. Deliveries of new tonnage, ordered during the contracting boom some years ago, are now tapering off. At the end of 1977 only 4.1m. tonnage of new shipping was still on order for Norwegian owners, 2.2m. tonnes of it for delivery this year, 1.6m. in 1979 and a scant 300,000 in 1980.

A recent sale for scrapping that made headlines when it was announced concerned the 207,000-tonnes turbine tanker "Dyvi Nova," believed to be the first very large crude carrier (VLCC) to go undamaged to the breakers' yard. The ship's recent history epitomises the problems faced by many tanker owners as the value of their idle ships has plunged and laying-up costs have mounted. At end-April last 95 Norwegian ships totalling 12.5m. dwt were laid up.

The "Dyvi Nova," built in Japan in 1968, was bought abroad in October 1976 for $8m. When it was sold to Far Eastern shipbreakers—it fetched only $3.1m., delivered to the breakers' yard. It had been laid up since its purchase, so in addition to the loss on the purchase price its Oslo owners (Jan-Erik Dyvi) had to meet sixteen months laying-up costs as well as the cost of sailing it to the Far East.

Norway's State-backed Guarantee Institute for Ships and Drilling Rigs, formed in 1975 to help the country's shipowners hang on to "valuable" tonnage during the crisis, has recently recognised that not all of the fleet is still worth keeping. Its annual report said that the value of tankers built before 1970 had dropped to a level virtually equal to their worth as scrap. Even the more modern vessels had fallen in value by up to fifty per cent.

Tankers were hardest hit by the crisis—even at to-day's low prices there was almost no market for them, as shipowners and bankers alike felt it was more sensible to scrap them than to have to meet interest costs and laying-up expenses for an indefinite period. The falling value of ships had considerably increased the risk that the Institute might face a loss on some of its guarantees, the report conceded.

The scale of the Norwegian shipping crisis was revealed to the general public in December, when the results of a confidential survey by the Shipowners' Association were inadvertently leaked to the Press.

Replies to a questionnaire which the Association had sent to its members showed that sixty Norwegian shipping companies, owning about a third of Norway's tonnage, would be in serious financial difficulties by 1979 unless there was a substantial improvement in the freight market. By then these sixty owners' commitments would exceed income by Kr.2.2bn. ($488m.) and they would find it extremely difficult to meet running costs, interest payments and instalments on shipbuilding loans

Repercussions of the shipping crisis have hit other sectors of Norwegian business and industry. Last year's steep fall in share prices on the Oslo Bourse, for instance, was due in large part to heavy selling of shares by shipowners trying to raise liquid funds Ship yards have in several cases been forced to take over whole or part ownership of new vessels because the companies that ordered them could not afford to take delivery. Banks and insurance companies have had some heavy losses on shipping loans.

Tackle

The Norwegian Government does not yet seem to have decided how it should tackle the situation. An officially appointed working party which recently studied the matter reported in January last to the Minister for Trade and Shipping, Mr. Hallvard Bakke. So far however, none of its recommendations has been implemented.

The group, chaired by Mr. Hermod Skaanland, a director of the Bank of Norway, stressed the significant role played by the shipping industry within the Norwegian economy. It said that in the longer term a major reduction of the Norwegian merchant fleet would also weaken the environment which has been built up around the industry—in chartering, in the sale and purchase of shipping, in technical research and development and so on. This would mean that the remaining fleet would have to operate on an impaired working base. It was both the expertise and the experience of Norwegian shipping which had kept it in the forefront of international shipping, the report pointed out.

One of its general conclusions was that use should be made of the existing Guarantee Institute to help owners. The Institute's rules should be changed and it should be granted an extra Kr.1bn. of State money to enable it to offer guarantees on less stringent terms This would permit a far more comprehensive restructuring of debts than was at present possible, particularly for combination and bulk vessels.

The report also recommended relaxing the restrictions on the registration of Norwegian ships under foreign flags, and some tax concessions to investors willing to put up funds so that "worthwhile" ships would not have to be sold to foreign owners. It urged the Government to do its part, nationally and internationally, to curb the building of new ships and to prevent the subsidising — for employment reasons—of excess shipbuilding capacity, since new tonnage coming on to the market aggravated the crisis.

Not all Norwegian shipping groups have been losing money, however. Several achieved good results last year despite the world crisis. They were mainly companies with a wide spread of interests, including some profitable areas such as the cruise trade or car-carrying. Some companies are still ticking over with the help of favourable long-term charters concluded before the crisis began, but most of these are soon due to expire.

Mr. Leif Loeddesoel, managing director of Wilh. Wilhelmsen, Norway's largest shipping group, has predicted that the Norwegian shipping industry will survive the present crisis, but probably with a different structure.

He foresees a steep reduction in the number of shipping companies—perhaps by a third or even a half—over the next ten years. Many shipowners now active would become investors in ships operated by others, adopting a far more passive role than previously. The new operating units would have to be large enough to achieve economies of scale in marketing and other fields.

Mr. Loeddesoel said he did not underestimate the seriousness of the crisis or the difficult times ahead, with many companies losing their ability to re-invest. To date Norwegian shipping had been in the forefront of developments, replacing old tonnage with new more rapidly than most other maritime countries. The big question was whether Norwegian shipowners could mobilise the resources needed to maintain re-investment. Most companies would emerge from the crisis far leaner than when they entered it. He stressed the need to capitalise on Norway's expensive but highly efficient crews, and the general need to develop technical and management resources.

F.G.

Plants

CONTINUED FROM PREVIOUS PAGE

now has substantial excess refinery capacity and Rafnes is losing money. Yet the optimists insist that in the long run these two big investments will prove to have been worthwhile.

Mr. Odd Gothe, a senior civil servant in the Ministry of Industry (now moved to the new Oil and Energy Ministry), did warn in a recent public lecture that Norway must avoid becoming a "one-sided oil economy." On petrochemicals, he said the main task now would be to "consolidate" what had been created at Rafnes. "Unfortunately," he added, "the bottom has just about dropped out of the market for these products. . . ."

An Oslo University economist, Steinar Strom, says Rafnes is an example of the sort of "strange results" which emerge when industrial and resource planning is dominated by technicians and engineers Writing in an academic journal recently, Strom pointed out that the giant project was entirely dependent on receiving feedstock at a special low price. The alternative of selling the ngl on the world market, at its real value, had not even been seriously considered. It was typical, he said, of the "engineers' belief that a raw material found in Norway must be processed here, even if this is not the best solution for the country."

F.G.

NORWAY VI

Growing debate on energy

NORWAY IS a country exceptionally rich in energy resources. It has oil and gas on its Continental shelf, coal in the Spitsbergen archipelago, and on the mainland its mountain river hydro systems provide nearly 60 per cent. of total energy requirements—some 75bn. kWH annually. This is more than twice as much, per head of the population, as world's other big hydro power countries—Canada, Iceland, the U.S. and Sweden.

Abundant energy supplies notwithstanding, energy policy is a very live issue. A recent Government decision to seek Parliamentary approval for two highly controversial hydro-electric schemes has sparked renewed debate about the whole question of how much energy the country actually needs, how it should be produced, and how much households and industry should pay for it.

Norwegian environmentalists and the technocrats of the State Water Resources and Electricity Board (NVE) have been quarrelling about these issues for years. The energy "hawks" of the NVE are always warning that power rationing is just around the corner if this or that new scheme is not promptly approved. The environmentalists, opposed to further regulation of Norway's rivers for power production, say that the NVE predictions assume a rate of growth in energy usage which is both unlikely and unnecessary. They claim that more realistic pricing of electricity would curb waste and stop further expansion of the power-intensive industries (which account for over a third of Norwegian electricity consumption), thus permitting stabilisation of usage.

The NVE has always had powerful allies in the Ministry of Industry, the power-intensive electro-chemical and electro-metallurgical industries, and the country's two largest parties, Labour and Conservative, both of which are traditionally growth-orientated. The environmentalists, on the other hand, have until lately fought rather a lonely battle, with only the politicians of the small political centre to plead their cause in the Storting.

Voices

Just recently, however, new and prestigious voices have joined the argument. In newspaper articles, public debates and TV interviews, several of the country's most prominent economists, plus a former Director of the NVE, have maintained that Norway is really over-supplied with electricity already, that the power-intensive industries are basically uneconomic, because they could not operate without "artificially" cheap power, and that the country's GNP would actually rise more rapidly if the resources now devoted to hydro-electric development were employed in other sectors.

The economists who have taken this stand include Mr. Hermod Skaanland, deputy governor of the Bank of Norway, Professors Tore Thonstad and Terje Hansen, and university lecturers Finn Foersund, Steinar Stroem and Lars Mathiesen. The biggest surprise, perhaps, is that they have been backed — at least part of the way—by the former NVE Director, Mr. Vidkunn Hveding. Conservationists have always regarded Hveding as a supertechnocrat and one of their chief opponents. He was one of the first Norwegian advocates of nuclear power, and resigned his NVE job three years ago because he was disheartened by environmentalist opposition and by politicians' "prolonged indecision and vagueness" about future power supplies.

In a recent newspaper article which has attracted wide attention in Norway, Hveding said that the country could save millions of kroner if the power intensive industries could be persuaded to release for other purposes, some of the billions of KWH they now use every year. These industries, he pointed out, paid far less for the "old" power they used (electricity from older hydro plants, with low or non-existent depreciation costs) than it cost the community to produce additional power.

Hydro-electric projects now in hand would produce electricity at a cost of some ten oere per KWH (ten oere equals one English penny), and within a few years Norway might be building fossil-fired plants producing at fifteen oere per KWH. There would, moreover, be a market for electricity at this price—household users, business and non-power-intensive industry. The power-intensive industries, on the other hand, could not stay in business if they had to pay much more than five to seven oere per KWH.

An incentive scheme that encouraged the big power-using plants to relinquish only 3bn. kWh. annually (roughly 10 per cent. of their current consumption) could save the country between Kr.210/270m. per year, compared with what it would cost to put that much "new" power in the nation's grid, Hveding claimed. Part of the power thus made available could be used to supply new industries in the neighbourhood of the power-intensive plants, as the latter cut back output so there would be no net loss of jobs in the areas affected.

In the past, the power-intensive industries have always warned that local jobs would be lost if they did not get all the cheap power they wanted—a potent argument when dealing with politicians. Many of these plants are sited in outlying districts where they are virtually the only source of employment.

Hveding, and the economists referred to earlier, believe the power-intensive industries should be given the alternative of selling to the State or local authorities some of the power they now use. They would be offered a price slightly below the cost of "new" power, but well above what they now pay for their supplies, under long-term contracts which the critics regard as a bad bargain for the nation.

The gradual contraction of the power-intensive sector, together with an increase in electricity prices, would curb the rise in Norway's power consumption so sharply that the need for investing in additional power production would be drastically reduced. Economists Thonstad, Foersund and Stroem believe it would even enable the country to postpone for a time the start of all the new power projects now in the planning stage. Instead, the resources which these projects would have required could be channelled into other and more profitable investments. Hveding points out that money saved in this way could be used to subsidise other Norwegian industries threatened by foreign competition because of Norway's high cost levels.

Expertise

The debate has not of course been all one way. Spokesmen for the power-intensive industries have pointed to the traditional role of these industries as big foreign currency earners, and to the valuable expertise created as the industries have been built up.

Mr. Haakon Sandvold, president of ASV, Norway's largest aluminium producer, put the case for his industry in a newspaper article last week: "Norway has developed its own aluminium technology, so that Norwegian companies can supply practically every kind of equipment [needed], from electric smelting furnaces to purifying plants and computers for process control. In an important basic global industry we have independent know-how which extends from planning, building and production to marketing. In few other branches of industry do we hold such a position. Instead of contracting we should accept the challenge of exploiting this position."

It remains to be seen what effect if any these theoretical exchanges will have on Storting members when they come to reach their verdict on the Government's two latest big hydro-electric schemes. One, for edevelopment of the Orkla/Grana River system in central Norway, is due to be debated before the summer recess. The other, concerning the Alta-Kautokeino system in Finnmark, north Norway, cannot be considered until the autumn because of the Storting's full timetable.

Both projects are strongly opposed by conservationists and have aroused controversy within the Labour Party itself. The youth organisations of six political parties, representing the younger guard of parties from the Communist to the Conservatives (but excluding the young Labour movement) recently urged the Storting's Industrial Affairs Committee to reject both schemes. They say the Alta development would ruin important reindeer grazing areas and threaten salmon fisheries, while the Orkla project would involve flooding a large area of arable land (scarce in Norway) and would probably lead to climatic changes that would also hit farming.

In addition, the statement urges the Storting to give greater priority to energy saving and to research into alternative energy forms, and it advocates stabilisation of energy consumption in Norway by 1990.

Last week Norway's Environmental Protection Association with a membership amounting to almost one per cent. of the population, demanded that the Orkla project should be dropped in the light of the figures put forward by Hveding and others. Earlier, in an open letter to the Storting's President, it had described the scheme as one of the biggest plans for deliberate destruction of arable land in Norway's history. It added that as a general rule hydro projects should be debated by the Storting's Environmental Committee, because of their environmental aspects, as well as by the Industrial Affairs Committee which normally deals with them.

F.G.

Shipbuilding capacity to be reduced

SHIPBUILDING capacity in Norway is going to be reduced drastically and rapidly. This is the message of the policy document on aid to the industry published by the Government earlier this month. If the guidelines it lays down are followed, Norway will be among the first of the Western industrial countries to accept the consequences of the fact tha the world no longer needs as many new ships as it used to. As a result, six of ten Norwegian workers now engaged in building ships are likely to be doing something else (or unemployed) in about three years' time.

The Government plans — which require Parliamentary approval—include some measure of continued financial assistance to the shipbuilding industry. The aim is, however, to start scaling this down from next year. The new strategy represents a complete break with the stop-gap policy—followed during the past couple of crisis years—of keeping yards in business with massive injections of public money.

To date, state aid to the industry has taken several forms, including loan guarantees and loans to the yards, interest subsidies for shipbuilding loans to developing countries, and attractive tax concessions to domestic companies willing to place immediate orders with the yards. Taken together, the various measures have cost the taxpayers several hundred million pounds.

The Ulveseth Commission, a Royal Commission which reported last January on the industry's problems, estimated that in 1977 the average amount of support required to secure orders for Norwegian yards was about 20 per cent. of the contract price. This must have made the shipyard workers' jobs about the most heavily-subsidised in the country—even allowing for the fact that many other Norwegian industries also receive state subsidies of one kind or another.

Both sides of the shipbuilding industry—employers and unions—were represented on the Ulveseth Commission, as well as senior civil servants from the Ministries of Industry and Finance. All of them agreed on the need for a steep reduction in shipbuilding employment. A majority advocated a cut by 6,000 to 14,000 over three years, while a minority of two counselled much stronger medicine—pruning numbers by 12,000 to only 8,000. Significantly, one of the two urging the more drastic cut was the Finance Ministry's representative in the group, Mr. Arne Oien.

The new policy document skirts the touchy question of just how steeply shipbuilding employment is likely to fall. It says this will be determined by demand conditions, by the efforts and efficiency of the various yards and by the extent to which state help can make the yards competitive.

Ignores

On the whole, however, the Government is even more pessimistic about the industry's prospects than the Ulveseth commission was. In particular, it warns that the scope for switching capacity to production of oil industry equipment is probably far less than the Ulveseth report assumed. It also ignores or reduces some of the report's proposals for State aid over the next few years. The conclusion is clear: Norway's present economic problems simply do not allow the maintenance of state hand-outs at the previous level.

Among the aid measures the new document does propose are the following: on new ship contracts, provision of 80 per cent. credit over 12 years, with no interest or amortisation payments for the first three years, but without interest subsidies; a ten per cent. subsidy on the price of ships ordered by Norwegian companies between May 31 this year and December 31, 1979, for delivery within two years of ordering; an additional Kr.100m. (£10m.) allocation to subsidise ship exports to developing countries; Kr.40m. for loans to finance conversion to other activities than shipbuilding; and Kr.10m. to finance research and development in the industry.

The policy document particularly stresses the need to solve the social and employment problems which the anticipated lay-offs in the industry may create. It does not say specifically which yards should be kept in business, and which should be allowed to shut down. It comments, however, that in formulating the proposed aid measures the Government has been particularly concerned to help yards in underdeveloped areas, where little alternative employment is available. These yards will also continue to be eligible for special help from the Regional Development Fund, in the form of loans and guarantees, to finance conversion to other activities. This makes the outlook rather less hopeful for yards in cities and towns such as Oslo, Bergen and Stavanger, where the labour market is still tight and there are other jobs to be had.

Both unions and employers have long accepted — in theory — that a good many shipbuilding jobs would soon have to vanish. Nevertheless, the Government's May proposals seem to have come as a shock to many in the industry.

Mr. Per Anker-Nilssen, chairman of the National Shipbuilders' Association, said the help now being offered was so much less than what the Ulveseth Commission proposed that it could put an end to new building activity — at least of larger ships. This would hit yards along the Oslo fjord, in Bergen, Stavanger and Forde (near Haugesund).

Regional policy considerations could help to maintain building of smaller ships by yards in outlying districts.

The industry's last survey of its order books, on October 1 last year, indicated that shipbuilding capacity was 80 per cent. booked for 1978, and only 30 per cent. for 1979. Since then few, if any, new ship orders had been booked, while some contracts for export to Third World countries, included in the statistics, had actually been lost.

"The situation is now that hardly any ships are being ordered," Anker-Nilssen told the Oslo newspaper *Aftenposten*. "The few orders that are being placed are going to countries with costs far lower than Norway's. It is now possible to get ships built in the Far East at less than half the price Norwegian yards must charge, in order to break even. You could say that Norwegian yards have only Norwegian owners as their market. We had hoped for much more extensive support ... in order to keep this market."

In its comment, the powerful Iron and Metal Workers' Union says that the jobs which shipbuilding can no longer provide must be replaced by a switch to other forms of production. It urges the Government to ensure that Norwegian industry secures a growing share of deliveries to the oil industr and that a significant part o these orders are channelled t the shipyards.

The recent annual report o Norway's largest shipbuildin group, Aker, called for an i crease in the pace of North Se oil development "as the be possible means of helping t maintain employment in larg parts of the Norwegian shi building and engineering indu try." It also stressed that "co tinued development in the No wegian sector should be planne on a longer-term basis so th we are assured continuous pr duction without the peaks an troughs which play havoc wi national operations."

It is not easy to see how th Government can take Aker advice. With oil prices stagnan and North Sea developme costs soaring, oil companies a in no hurry to begin developin Norway's marginal fields. Dev lopment plans for the large finds—Valhall/Hod, and th second phase of Statfjord—ar already in hand, though it is no yet certain whether Aker, o Kværner, will get the covete contract to build the steel dec for the Statfjord field's secon platform.

Tactics

By leaning heavily on the o companies, the authorities wi ensure that an increasingl large share of all Norwegia sector work does go to Norw gian companies. The onl trouble is that the Britis authorities are adopting th same tactics on their side o the sector boundary, thus virtu ally excluding Norwegian com panies from winning orders i the U.K. sector.

Barring a major new di covery and a rapid decision t exploit it, North Sea develop ment as such probably canno provide much additional wor for Norwegian yards in the nea future. Maintenance and re pairs could be a promisin market—particularly if som pessimistic oil industry fore casts about rapid corrosio damage in the North Sea tur out to be true. The future, fo some of Norway's shipyar workers, may lie not so muc in building new platforms as i continually patching up the ol ones.

F.G.

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FARMING AND RAW MATERIALS

More use of derelict land urged

By Christopher Parkes

DERELICT and under-used land in towns and cities should be used for building before there is any further spread of development into the fringes of urban areas and into land better suited to farming, the Advisory Council for Agriculture told the Ministry of Agriculture in a report published yesterday.

The council also said the Ministry should take charge of landscape and wildlife conservation, and suggested that ADAS—the farmers' advisory service—would be best suited for this task.

The Ministry replied, however, that it had no intention of taking over from existing countryside agencies.

The report, Agriculture and the Countryside*, makes special mention of the clash of interests between farming's needs and those of city developers.

"We were profoundly depressed in the course of our visits to the urban fringe to note the large areas of land which had been allowed to go derelict," the council says.

Much of this could be brought back into agricultural use, and it is suggested that the Environment and Agriculture Ministries should work together to encourage the restoration of land threatened by dereliction to full farming use.

And the council recommends that similar co-operation should be applied to ensure that development on quality farming land should not be allowed in the urban fringes unless it has been shown that there is no suitable under-utilised or derelict land elsewhere in the conurbation.

*MAFF Publications, Block C, Government Buildings, Tolcarne Drive, Pinner, Middlesex, HA5 2DT. £1 (£1.18½p by post).

Britain's butter surplus starting to build up

BY CHRISTOPHER PARKES

RECORD TONNAGES of British butter are being sold into intervention stores and stockpiled in the Common Market's butter "mountain."

In the first four months of this year more than 9,000 tonnes have been bought by the Intervention Board for Agricultural Produce under the EEC's support-buying programme for surpluses.

Board officials expect even larger amounts to be taken off the market in the coming months.

So far this year, intake has been running at about twice last year's level, but there is still no evidence to support claims from the Milk Marketing Board that "every drop" of butter produced is going into store.

UK butter production in January was 13,900 tonnes and 11,600 tonnes in February, but sales into intervention last month, when butter produced in January would be starting to go into store — were 3,327 tonnes.

Exactly what is happening in the butter trade is not clear. The market is certainly oversupplied, but last month, for example, while producers were delivering their 3,000-odd tonnes of butter to the bonded stores of the Intervention Board, traders were buying 1,420 tonnes out of store and paying more than current market prices for it.

As butter production builds up, so does the creameries' output of skimmed milk. The amount sold back to farmers in liquid form for feeding to their stock has slumped badly and the national stockpile of dried milk power is now only a few hundred tonnes short of 60,000 tonnes.

Beef stocks in intervention were 15,540 tonnes at the end of April.

The amount of barley being sold to the Board tailed off rapidly durng April as supplies grew scarcer on the open markets. The Board bought 8,187 tonnes in March, but only 1,852 tonnes last month.

The total stockpile at the end of April was 21,233 tonnes. Officials expect that this may be released back on to the market before the current season is out.

The Common Market's poultry industry is also threatened by over-production. Mr. Len Wright, chairman of the British Poultry Federation told its annual meeting in London yesterday that gluts in Europe could threaten the viability of the British industry.

The rise in the number of chick purchases in the EEC indicated that there would be over-production of eggs later this year. This did not necessarily mean cheap supplies for the consumer, however.

The EEC had become very adept at disposing of its over-production in non-Community countries and to food manufacturing. "But unless the industry can continue to work on the exporting job there is a danger of an 'egg mountain' later this year or next," said Mr. Wright.

Community exporters of broilers were having a difficult time competing with Brazilian and U.S. traders in the lucrative Middle East markets. High feed costs in the EEC put European traders at a disadvantage.

Export subsidies on broilers shipped to non-ECC countries were increased on Monday by 3p to 9p a pound.

Free market platinum at new peak

By John Edwards, Commodities Editor

THE STERLING price of platinum rose yesterday to an all-time peak on the London free market, gaining £1.95 to £127.55 an ounce.

The dollar price was also higher rising by $1.25 to $231, still well below the "high" of $240.50 reached in March.

The sudden surge in platinum prices, after the setbacks suffered since March, is attributed to a shortage of immediately available supplies at a time when there is good consumer buying interest.

Japanese buyers are reported to be back in the market and speculative interest has been encouraged by prices breaking through chart points.

Previous "short" sales, which helped drive the market down to $205 at one stage, are now waiting to be covered by matching purchases.

On the supply side, the Soviet Union is still said to be holding off the market as sellers and there are even reports of Russian buying in Switzerland — possibly to acquire extra supplies for the minting of Olympic coins.

Canadian output has been hit by the nickel production cuts and it is claimed that any increase in South African mine production has yet to show through.

However, it is thought that the South African producers may be wary of raising their official producer prices from the present level of $220 an ounce, in view of the sharp dip in the market in mid-April.

CHINESE AGRICULTURE

Peasants mobilised to beat drought

BY A SPECIAL CORRESPONDENT

PEKING, May 16

CHINA'S RICHEST natural resource—human muscle—has a good chance of beating the drought which has threatened grain crops for the second successive year.

Peasants and Communist Party officials have responded to a plea made last month at an emergency meeting of China's State Council for an all-out effort to save this year's crops and ensure the safety of future plantings.

More than 100m commune members are engaged in urgent rescue operations, watering thousands of hectares of maize and wheat by hand and building small scale irrigation schemes to bring previously unused land into production.

The Chinese peasant carrying water in pails on a shoulder pole is no cartoon character. He is the first line of defence in the country's agricultural crisis.

In two counties of Yunnan province, Southwest China, farmers have germinated 5,000 hectares of maize by giving a cupful of water to each seed.

The New China News Agency reports that since last autumn, irrigation schemes have been built or improved in 3.6m hectares of farmland throughout China. A further 1.7m hectares of waterlogged or alkaline land have been made arable.

The anti-drought offensive involves Chinese people at all levels. Several provinces—Hopei, Shantung, Szechuan, Hupeh and Kwangtung have each sent more than 100,000 cadres (officials) to villages to advise and help in drought relief.

The south-western province of Szechuan, the home of one tenth of China's 900m. people and one of the country's richest agricultural areas, has been dry since last autumn. In that province alone 11m people work in the fields, each day, carrying water, building irrigation channels and fighting to save crops on 1.26m hectares of parched countryside. Workers are digging wells, damming streams and planting dry-land crops in areas that are normally soggy rice paddies.

Some 90 per cent. of Szechuan's cultivated land has been affected by the drought. The Szechuanese have responded to adversity with ingenuity. Small-scale irrigation plants have brought water to an additional 230,000 hectares in the past six months.

The use of modern farming methods has accelerated. Rural areas are using more agricultural machinery and more chemical fertilisers. In Hunan and Hupeh provinces, in the Yangtze River valley of south China, communes are experimenting successfully with greenhouse and soil-less cultivation.

In Kiangsu province, in east China, plantings of a hybrid rice which yields 20 to 30 per cent more grain have been increased tenfold since last year to 600,000 hectares.

In southern China, early rice seedlings have been transplanted and work is starting on the next crop of "semi-late" rice. Maize, tobacco, sugare cane and potatoes are also in the ground.

In the north, farmers have completed the spring wheat sowing and are concentrating on later crops such as sorghum, maize, millet, peanuts and cotton.

Five new industries have been established to support the spread of irrigation. Communes are producing their own supplies of irrigation pipes made of clay, cement or stone.

The result, even in the face of drastically bad weather, has been an increase of 400,000 hectares of wheat in the province this year and double cropping in many areas that formerly produced only one harvest a year.

Sydney Morning Herald.

'Bid to boost work rate'

THE drought in China is not nearly as serious at it was last year, when grain production dropped as a result of the worst dry spell in several decades, the Asian Wall Street Journal reported.

Analysts in Hong Kong say that, while there may be concern about the drought's effect on some areas, Peking's primary motive for sounding the alarm is to mobilise the nation's 500m peasants to work harder.

U.S. wheat target price raised

WASHINGTON, May 16.

THE U.S. Agriculture Department has announced an increase in the target price for 1978-crop wheat from $3.00 to $3.40 per bushel.

Carol Foreman, Acting Agriculture Secretary, said the higher target price for wheat should encourage more producers to participate in this year's wheat programme, including the acreage diversion and grazing provisions.

An extension was also announced, until May 31, in the sign-up period for farmers to participate in the acreage set-aside programmes — originally due to expire this week.

The Acting Secretary said that the extension would give producers time to assess the implications of the increased wheat target price before making their intentions known.

Wheat in the grain reserve on May 12 totalled 328.8m bushels and maize 37.5m bushels, the U.S. Agriculture Department said.

The grain reserve takes wheat and other grains off the market for a period of up to three years, or until market prices reach stated levels.

The increased wheat target price follows the signing by President Carter of the Emergency Farm Bill, which gave the Agriculture Secretary discretionary authority to increase target prices for wheat, feedgrains and cotton.

The Bill also increases the loan rate for upland cotton from 44 to 48 cents per pound.

However, President Carter said that he would propose legislation removing the minimum support price provision for upland cotton.

The American Cotton Shippers' Association recently urged the President to veto the Farm Bill because of the minimum mandated cotton loan level.

The association claimed that the Bill established a price support loan formula designed to keep prices at unnecessarily high levels and would imperil the ability of U.S. cotton to compete in world markets.

Reuter

BRAZIL BEEF HERD INCREASES

WASHINGTON, May 16.

Brazil now has about 100m. head of beef cattle—up from 97m. last year, according to the U.S. Agriculture Department office in Sao Paulo.

Beef slaughter this year is estimated at 11.6m head, as cattlemen are now rebuilding herds. The heavy slaughter of 12.5m. head last year was due to the slaughter of breeding cows.

Beef exports last year totalled 191,000 tonnes (carcass weight equivalent) and are expected to decline sharply this year due to the high internal price of beef, the department said.

Reuter

Tin prices fall after U.S. move to cut stockpile

BY OUR COMMODITIES STAFF

TIN PRICES fell on the London Metal Exchange yesterday following the approval by a Congress sub-committee of a Bill to authorise the sale of 30,000 tons of tin from the U.S. stockpile. An overnight decline in the Penang market, and an easing of the nearby supply shortage, also helped lower the standard grade cash tin by £67.5 to £6,307.5 a tonne.

The approval of the tin stockpile release Bill, linking the sale of 30 000 tons to the 5,000 tonnes contribution by the U.S to the International Tin Council, is an important step forward. But there is still a long way to go through Congress, including consideration by the House banking sub-committee later this week.

However, it seems clear that the proposal to link tin sales directly with purchase of copper has been dropped for the time being at least.

Warning of rubber shortages

SINGAPORE, May 16.

WORLD DEMAND for natural rubber could rise from 12.35m tonnes last year to more than 20m tonnes in the 1980s causing shortages unless smallholders and other producers are given sufficient incentives to increase production.

This warning was given by Mr. Tan Eng Joo, chairman of the Rubber Association of Singapore.

He said that price stabilisation through the proposed international scheme financed by both producer and consumer countries would help to avoid shortages.

However, operation of an international natural rubber price stabilisation scheme could involve heavy costs.

Reuter

Silkin promised hero's welcome

BY ROBIN REEVES, WELSH CORRESPONDENT

MR. JOHN SILKIN, UK Minister of Agriculture, is being promised a "hero's welcome" when he attends the annual meeting of the Farmers' Union of Wales in Aberystwyth today.

The promise comes from Mr. T. Myrddin Evans, president of the union, following the outcome of last week's Brussels annual farm price negotiations safeguarding the future of the Milk Marketing Board.

In an eve of conference statement, Mr. Evans said: "The future of the Board was the most important issue, as far as Welsh farmers were concerned, at the Review talks in Brussels. I am delighted that Mr. Silkin has said that he has won this battle."

Mr. Evans said that details of the settlement in Brussels had not yet been fully clarified, but he understood that the EEC now accepted the essential functions of the Board and the case for its continued existence.

All Welsh farmers would hope that the settlement represented a lasting solution and that there would be no question of the Board continuing for a transitional period.

Milk production represented the lion's share of the Welsh agricultural economy and the Board played an essential part in safeguarding the interests of Welsh producers.

Another factor guaranteeing Mr. Silkin a warm welcome will undoubtedly be the Government's recent decision to extend formal recognition to the Farmers Union of Wales. This marks a successful end to the union's 22-year-long fight to establish an independent voice for Welsh farmers, with the same Government consultation rights and obligations as other UK farming unions.

The National Farmers' Union England and Wales is still refusing to accept the consequences of the decision. At the first routine meeting with Ministry of Agriculture officials in London, following recognition, NFU delegates, together with those of the Scottish and Ulster farming unions, refused to sit round the same table as the FUW representatives.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Slightly firmer on the London Metal Exchange. Forward metal rose to £724 on the pre-market reflecting the situation in Zaire but then eased to £721 on the morning kerb following hedge selling and profit-taking. In the afternoon the values moved ahead again in line with the opening on Comex but as the latter failed to hold the price here fell back to close at £719.5 on the late kerb. Turnover 18,575 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	702.5-3	+7	701-2	+1.75
3 months	721.5-2	+7	720.5-1	+2
Settlem't	703	+7	—	......
Cathodes				
Cash	691.5-2	+8.75	691-2	+.5
3 months	710-1	+8.5	710.5-11	+1
Settlem't	692	+8.5	—	......
U.S. Prod.	—	......	64	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £702.5, 3, 2.5, three months £722, 21.5. Cathodes, cash £692, 91.5, three months £711.5, 11. Kerb: Wirebars, middle May £702.5, three months £721.5, 21, 20.5, 21, 21.5. Afternoon: Wirebars, three months £724, 23, 22.5, 23, 22, 21.5, 21. Kerb: Wirebars, three months £719.5, 20, 20.5, 21, 20.5, 20. Cathodes, three months £710.

TIN—Lost ground in line with the fall in the Penang prices which followed the latest news on the proposed GSA stockpile releases. Forward metal opened around £6,240 but subsequently hardened to £6,290 owing to covering against some European physical business and the weakness of sterling. Thereafter the price moved narrowly to close at £6,290 on the late kerb with the backwardation coming in to £25 following an easing in the nearby supply situation. Turnover 1,125 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade				
Cash	6310-5	-82.5	6305-10	-87.5
3 months	6280-5	-14	6275-80	-82.5
Settlem't	6315	-81	—	......
Standard				
Cash	6310-5	-82.5	6305-10	-87.5
3 months	6275-80	-55	6275-80	-45
Settlem't	6315	-85	—	......
Straits E.	$1612	-15	—	......
New York	—	......		......

Morning: Standard, cash £6,310, three months £6,280, 75, 70, 80. Kerb: Standard, cash £6,305, 10, three months £6,280, 75, 60, 70. Afternoon: Standard, three months £6,300, £6,290, 80. Kerb: Standard, three months £6,270.

LEAD—Lower. Forward metal rose to £306 on the pre-market influenced by the initial upturn in copper. However, in the rings profit-taking and lack of follow-through caused the price to dip to £302.5. In the afternoon values came under further pressure which took the forward material down to £297 on the late kerb. Turnover 4,225 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	294.25-.75	+.5	290.5-1.5	-4.25
3 months	302-.5	-.5	300-.5	-4
Settlem't	294.75	+.25	—	......
U.S. Spot	—	......	*31-33	......

Morning: Three months £303, 4.5, 4, 3. Kerb: Three months £302.5, 2. Afternoon: Three months £303, 2.5, 2, 1, £300.5. Kerb: Three months £300, £299, 98, 97, 98, 97.5.

ZINC — Barely changed, and mainly following the trend in other base-metals. Forward metal rose to £315 in the morning rings prior to easing back to £312.5 on the morning kerb. In the afternoon it declined further to end at £310 on the late kerb. Turnover 3,450 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
Cash	303-.5	-.25	303-3	-.5
3 months	312.5-3	......	311.5-2	-.5
Settlem't	303.5	-.5	—	......
Prim. West	—	......	*9	......

Morning: Three months £314, 14.5, 13, 14.5, 13, 12.5. Kerb: Three months £312.5. Afternoon: Three months £313, 12.5, 12. Kerb: Three months £310.5, 10.

* Cents per pound. † On previous official close. ‡ $M per picul.

SILVER

Silver was fixed at 2.15p an ounce higher for spot delivery in the London bullion market yesterday at 280.75p. U.S. cent equivalents of the fixing levels were: spot 518.0c, up 3.0c; three-month 518.2c, up 3.6c; six-month 528.1c, up 3.8c; and 12-month 549.8c, up 3.3c. The metal opened at 280½-281½ (511-513c) and closed at 280½-281½p (507½-509½c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. close	+ or —
Spot	280.75p	+2.15	286.35p	+0.45
3 months	287.15p	+2.35	285.8p	+0.5
6 months	295p	+2.2	—	......
12 months	312.4p	+2.4	—	......

LME—Turnover 180 (115) lots of 10,000 ozs. Morning: Three months 287.8, 97, 87.8, 87.7. Kerbs: Three months 287.8, 7.7. Afternoon: Three months 287.2, 87.1, 87, 87.2, 86.7, 86.8. Kerbs: Three months 286.8, 287.

COCOA

As consumers backed away, the increasing willingness of producers to meet the market kept prices under pressure. Gill and Duffus reported.

COCOA	Yesterday's Close	+ or —	Business Done
No.6 Contract			
May	1416.0-14.0	-46.5	1470.0-05.0
July	1451.5-52.0	-56.7	1512.0-1448
Sept.	1480.5-84.0	-28.7	1500.0-18.0
Dec.	1758.0-59.5	-17.7	1885.0-1758
March	1720.0-26.0	-22.0	1760.0-22.0
May	1685.0-1705	-18.5	1740.0-10.0
July	1670.0-75.0	-18.5	1710.0-1685.0

Sales: 5,619 (2,998) lots of 5 tonnes.

International Cocoa Organisation (U.S. cents per pound)—Daily price May 15: 144.67 (141.97). Indicator prices May 16: 15-day average 148.19 (148.99); 22-day average 149.73 (150.69).

COFFEE

ROBUSTAS opened steadier in line with overnight New York prices and on renewed Commission House interest, Drexel Burnham reported. Values maintained the advance with little or no respite throughout the entire session, as local short-covering was continually forced by the persistence of the buying orders. Dealers said that there was some small-scale roaster interest, but attributed the rise mainly to chart buying and short-covering prompted by the first signs of annual weather nerves.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
May	1677-1680	+46.0	1685-1646
July	1540-1542	+69.5	1544-1485
September	1445-1449	+69.5	1448-1388
November	1386-1390	+65.5	1391-1335
January	1345-1349	+72.0	1340-1295
March	1293-1294	+58.5	1290-1253
May	1245-1265	+58.0	1250-1230

Sales: 4,139 (1,424) lots of 5 tonnes.

ICO indicator prices for May 15 (U.S. cents per pound): Colombian Mild Arabicas 191.50 (192.00); unwashed Arabicas 155.00 (same); other mild Arabicas 169.51 (168.01); Robustas 132.50 (131.50). Daily average 150.51 (149.76).

ARABICAS remained quiet but steady, Drexel Burnham reported.

Prices (in order buyer, seller, change, business)—June 139.50-190.00, +3.87, 156.00-185.00; August 179.00-159.00, +6.50, untraded; October 167.00-169.00, +6.75, 165.00; December 151.25-153.00, +6.63, 151.00-150.50; February 138.00-150.00, +5.34, untraded; April 137.00-147.00, +3.00, untraded; June 133.50-143.50, +5.00, untraded. Sales: 8 (1) lots of 17,250 kilos.

GRAINS

LONDON FUTURES (GAFTA)—Old crop barley saw substantial shipper short-covering and a steady volume changed hands at 1025 higher. Old crop wheat, after initial gains of 30 points, closed 5 points lower in thin and featureless conditions, Acli reported. New crops saw good hedging pressure throughout the day, prompted by good country movement. Despite steady jobber and professional buying, values by the close showed losses of between 10 and 25 points.

	WHEAT		BARLEY	
Month	Yesterday's close	+ or —	Yesterday's close	+ or —
May	98.65	— .05	85.85	+0.10
Sept.	85.10	-0.25	78.70	-0.15
Nov.	87.50	-0.15	82.35	-0.10
Jan.	90.10	-0.10	84.70	-0.25
Mar.	92.65	— .15	87.50	-0.10

Business done—Wheat: May 99.00-98.75, Sept. 85.35-85.10, Nov. 87.65-87.40, Jan. 90.20-89.95, March 92.80-92.65. Sales: 153 lots. Barley: May 86.00-85.80, Sept. 78.90-78.65, Nov. 82.35-82.40, Jan. 84.90-84.70, March 87.40-87.40. Sales: 186 lots.

IMPORTED—Wheat: CWRS No. 1 13½ per cent May 95.75 Tilbury. U.S. Dark Northern Spring No. 2 14 per cent May £87.25. June and July £88.75 transhipment East Coast. U.S. Hard Winter ordinary unquoted. Australian wheat unquoted. EEC wheat unquoted.

Maize: U.S./French May £105.50, June and July £105.00 transhipment East Coast. South African White June/July £90.25 Glasgow. South African Yellow June/July £80.00 Glasgow. Other grades unquoted.

Barley: Unquoted.

HGCA—Ex-farm spot prices May 16. Feed wheat: Humberside £96.50, Gloucester £94.90. Feed barley: Humberside £82.10, Gloucester £82.40.

U.K. monetary co-efficient for the week from May 22 is expected to fall to 1.385.

EEC IMPORT LEVIES and premiums, effective for today in order current levy plus June, July and August premiums, with previous in brackets (all in units of account per tonne): Common wheat—85.63, nil, nil, nil (85.92, 0.66, 0.66, nil); Durum wheat—130.47, nil, nil, nil (130.47, nil, nil, 0.33); Rye—83.52, nil, nil, nil (same); Barley—74.75, nil, nil, 0.68 (76.07, nil, nil, nil); Oats—78.52, nil, nil, nil (same); Maize (other than hybrid for seeding)—70.06, 0.82, 0.82, 1.15 (71.32, 0.82, 0.82, 1.32); Millet—81.06, nil, nil, nil (same); Grain sorghum—79.74, nil, nil, nil (80.40, nil, nil, nil).

Also for flour: Wheat or mixed wheat and rye — 131.96 (128.56); Rye — 128.99 (213.26).

RUBBER

EASIER opening on the London physical market. Fair demand throughout the day, closing on a steady note. Lewis and Peat reported that the Malaysian godown price was 212 (213) cents a kilo (buyer, June).

No.1 R.S.S.	Yesterday's close	Previous close	Business done
June	56.75-54.20	53.85-54.00	55.40-53.20
July	54.65-55.00	54.25-54.50	—
Jly-Sept	56.15-55.20	54.40-54.65	55.20-55.15
Oct-Dec	58.05-56.10	55.80-56.00	56.15-55.40
Jan-Mar	57.10-57.15	56.85-56.90	57.20-56.80
Apr-Jne	58.15-58.20	57.95-58.10	58.20-57.75
Jly-Sept	59.20-59.50	58.90-59.25	59.05
Oct-Dec	60.40-60.50	60.30-60.45	60.45
Jan-Mar	61.50-61.90	61.50-61.60	61.40

Sales: 3 (22) lots of 5 tonnes and 129 (212) lots of 15 tonnes.

Physical closing prices (buyers) were: Spot 53p (same); June 52.65p (52.75p); July 53.25p (53.00p).

SOYABEAN MEAL

Market opened 50 pence lower due to technical correction after the sharp rise on Monday, SNW Commodities reported. Prices soon picked up, however, on chart and stop-loss buying. At the close, values were at around new contract "highs."

	Yesterday's Close	+ or —	Business Done
	£ per tonne		
June	131.00-31.8	+1.65	131.5-130.65
August	133.4-33.8	+1.70	133.50-31.40
October	131.2-31.5	+1.65	131.5-129.5
December	128.00-29.5	+0.58	126.00-24.60
February	126.50-28.0	...	—
April	126.50-29.0	...	—
June	126.50-30.0	...	—

Sales: 291 (190) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar) £99.00 (£98.50) a tonne cif for May-June shipment. White sugar daily price was fixed at £105.00 (same).

The market remained locked within narrow limits, although the undertone was steady, possibly as a result of currency considerations, C. Czarnikow reported.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
Aug.	104.15-04.15	102.75-02.85	104.50-02.75
Oct.	107.55-07.40	106.45-06.45	108.00-06.75
Dec.	111.25-11.55	110.65-10.50	112.00-10.90
March	117.15-17.25	116.20-16.25	120.00-16.50
May	122.25-22.35	121.10-21.25	122.75-22.00
Aug.	125.50-25.65	124.60-24.75	—
Oct.	128.50-29.00	128.00-28.00	—

Sales: 1,468 (1,673) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £242.40 (same) a tonne for home trade and £150.00 (£153.50) for export.

International Sugar Agreement: Indicator prices in U.S. cents per pound, fob and stowed Caribbean port for May 15: Daily 7.14 (7.22); 15-day average 7.44 (7.47).

WOOL FUTURES

LONDON—Dull and featureless, Bache reported.

(Pence per kilo)

Australian Greasy Wool	Yesterday's Close	+ or —	Business Done
May	226.0-27.0	-1.0	—
July	228.0-30.0	-1.0	—
October	236.0-38.0	-0.5	—
December	236.0-38.0	-1.0	—
March	245.0-48.0	......	—
May	245.0-48.0	......	—
July	[illegible]	......	—
October	247.0-50.0	......	—

Sales: Nil (same) lots of 1,500 kilos.

SYDNEY GREASY (in order buyer, seller, business, sales): Micron Contract—May 339.0, 339.5, 339.5-336.0, 9; July 338.0, 339.5, 339.5-339.5, 6; Oct. 343.8, 344.9, 344.0-344.0, 6; Dec. 349.0, 350.0, nil; March 356.1, 356.5, 356.5-356.0, 12; May 359.5, 359.8, nil; July 363.0, 363.5, 363.0-362.8, 7; Oct. 365.5, 366.0, 365.5-365.0, 3. Total sales: 43 lots.

MEAT/VEGETABLES

SMITHFIELD (pence per pound)—Beef: Scotch killed sides 53.0 to 57.0; English hindquarters 70.0 to 72.0; forequarters 37.0 to 41.0; Ulster hindquarters 68.0 to 73.0; forequarters 37.0 to 41.0.

Veal: English fats 72.0 to 78.0.

Lamb: English small new season 66.0 to 78.0, medium 66.0 to 76.0. Imported frozen: NZ PL 50.0 to 51.0, PM 49.0 to 50.0.

Pork: English, under 100 lb 38.0 to 46.0, 100-120 lb 38.0 to 45.0, 120-160 lb 36.0 to 42.0.

Rabbits (skinned): English tame 64.0 to 65.0; Chinese 42.0 to 44.0; Australian 36.0 to 40.0.

MEAT COMMISSION—Average fatstock prices at representative markets, May 16. GB cattle 70.69p per kg l.w. (+0.97); UK sheep 169.0p per kg est d.c.w. (+4.2); GB pigs 63.3p per kg. l.w. (-0.9). England and Wales—Cattle numbers down 1.8 per cent, average price 70.85p (+0.63); Sheep up 21 per cent, average 169.3p (+4.0); Pigs down 13.4 per cent, average 63.1p (-0.1). Scotland—Cattle up 0.4 per cent, average 70.82p (+1.77); Sheep up 27.4 per cent, average 155.8p (+10.3); Pigs down 17.9 per cent, average 63.1p (+0.4).

COVENT GARDEN (prices in sterling per package unless stated)—Imported produce: Oranges—Cyprus: Valencia Lates 20 kilos 3.40-3.80, 15 kilos 3.00-3.80; Jaffa: Valencia Lates 3.95-4.60; Egyptian: Valencia Lates 2.80-3.20; Texas: 3.80; Moroccan: 2.60-3.00; Californian: 3.60-4.00; S. African: Navels 3.00-4.00. Ortaniques—Jamaican: 5.50-6.50. Lemons—Italian: 100/120's 3.60-3.80, new crop 4.50-5.00; Spania: small trays 25/50's 1.60-1.80; S. African: 88/125 5.00-5.60. Grapefruit—Cyprus: 15 kilos 2.00-3.00; 20 kilos 3.20-4.00; S. African: 40/48's 3.00; Jaffa: 20 kilos 3.00-3.95. Apples—French: Golden Delicious 20-lb 84's 3.00-3.10, 72's 3.20-3.30, large boxes 5.60-5.80; W. Australian: Granny Smith 8.90; Tasmanian: Cox's Orange Pippins 7.39-8.70, Golden Delicious 4.30-6.50, Jonathans 7.80-8.00; Victorian: Granny Smith 6.80-7.00; Italian: Rome Beauty, per pound 0.15, Golden Delicious 0.12; S. African: Dunn's 6.00-6.30, Granny Smith 7.00-7.50, White Winter Pearmain 3.60-6.30, Starking Delicious 7.80-8.00; Chilean: Granny Smith 6.50-6.70; New Zealand: Sturmer Pippins 163 7.30, 175 7.30, Cox's Orange Pippins 163/234 7.20-8.30; Danish, per pound, Spartans 0.11-0.12. Pears—S. African: Cartons, Packham's Triumph 7.70-8.00, Beurre Bosc 7.00, Winter Nelis 7.20-7.50; Dutch: Per pound, Conference 0.14; Belgian: Conference 0.11-0.13; Victorian: Josephines 6.00-6.50. Grapes—S. African: New Cross 6.20, Barlinka 5.00-5.20, Golden Hill 6.50; Chilean: 5 kilos, Almeria 6.50, Red Emperor 4.80. Apricots—Spanish: 5 kilos 3.50-4.30. Bananas—Jamaican: Per pound 0.15. Avocados—Kenya: Fuerte 14/24's 4.00-4.20; S. African: Fuerte 4.00-4.20. Strawberries—Californian: 0.90; Italian: 0.25-0.30; Spanish: 0.30-0.35. Onions—Chilean: Cases 4.20-4.50; Canary: 4.50-4.60; Dutch: 2.60-3.20. Capsicums—Spanish: Per pound 0.26; Canary: 0.29. Celery—American: 24's 4.80-7.00. Potatoes—Canary: 4.20; Egyptian: 3.30-4.00; Cyprus: 4.00; Jersey: 14-lb 2.80; Valencia: 4.00-4.50; Barcelona: Mataros 4.80; Majorca: 5.10-5.30. Tomatoes—Canary: 2.80-2.80; Jersey: 3.00; Dutch: 3.00-3.20; Guernsey: 3.00-3.60. Carrots—Cyprus: 0.80-1.60; French: 1.00. Asparagus—California: Per pound 0.90-1.00; Hungarian: Per bundle 0.65.

English produce: Potatoes—Per 56-lb, Whites, Reds 2.10-2.30. Lettuce—Per 12 1.40, Cos 1.40. Beetroot—Per 28-lb 2.20-2.40. Carrots—Per bag 0.80-1.40. Parsnips—Per 28-lb 1.00-1.30. Onions—Per 56-lb 2.00-2.50. Swedes—Per 28-lb 0.50-0.60. Rhubarb—Per pound, outdoor 0.05. Cucumbers—Per tray 12/24's 1.80-2.50. Mushrooms—Per pound 0.30-0.40. Apples—Per pound Bramley's 0.11-0.17. Pears—Per pound Conference 0.13-0.18. Tomatoes—Per pound English 0.23-0.25. Greens—Per crate, Kent 0.80-1.00. Cauliflowers—Per 12 Lincoln 1.20, Kent 1.30-2.30. Celery—Per 12/18 3.20-3.60.

COTTON

COTTON—Liverpool. No spot or shipment sales were recorded, leaving the total for the week so far at 100 tonnes. Minor replenishment needs were under review, but trading was virtually halted. F. W. Tattersall reported. Enquiries centred on various Middle Eastern styles.

*

DUNDEE JUTE—Quiet. Prices c & f UK for May shipment: BWC £294, BWD £262. Tossa: BTB £292, BTC £292, BTD £264. Calcutta goods steady. Quotations c & f UK for May shipment: 10 oz, 40 ins £9.91, 7½ oz £7.79, per 100 yards; June £9.85 and £7.71; July £9.73 and £7.59. "B" Twills: £27.33, £27.35 and £27.28 for the respective shipment periods. Yarns and cloths firm.

Disagreement over Brazil soyabean crop

By Sue Branford

SAO PAULO, May 15.

THERE IS considerable disagreement between the various Government organs here as to the damage done by the prolonged droughts to this year's Brazilian soyabean harvest—now drawing to a close.

At the end of last week, Sr. Alysson Paulinelli, Agriculture Minister, estimated the crop at 10.2m. tonnes at a meeting of the economic development council. This is 20 per cent. more than the figure of 8.5m. tonnes given by Cacex, the Banco do Brasil export agency, at the end of April.

Sr. Paulo Viana, director of the Production Financing Commission, had intended to release his new crop estimates at the end of the week. He postponed the announcement, though, as his figures diverged quite widely from the estimates presented by the Minister.

commission is estimating the crop at between 9.3m. and 9.7m. tonnes

Traders here generally favour the commission's figures, which have proved reliable in the past. They point out that the Minister's estimates are believed to be based on surveys carried out as long ago as the end of last year.

PRICE CHANGES

Prices per tonne unless otherwise stated

	May 16 1978	+ or —	Month ago
Metals			
Aluminium	£680	......	£680
Free market (cts)	$1060-80	......	$880-90
Copper cash W. Bars	£701.5	+1.75	£680.25
3 months do. do.	£720.75	+2.0	£707.25
Cash Cathode	£691.5	+0.5	£682.5
3 months do. do.	£710.75	+1.0	£699.25
Gold Troy oz.	$175.875	......	$174.375
Lead Cash	£291	-4.25	£299.25
3 months	£300.25	-4.0	£306.75
Nickel			
Free Market (cif) (lb)	$1.98	......	$1.95
	$2.15	......	$2.05
Platinum troy oz.	£120.50	......	£117.50
Free Market	£127.55	+1.95	£112.75
Quicksilver (76lb.)	$127.32	......	15 -05
Silver troy oz.	280.75	+2.15	274.1
3 months	287.15	+2.35	282.4
Tin Cash	£6,307.5	-67.5	£5,675
3 months	£6,277.5	-45.0	£5,675
Wolfram 22.04 lb.cif	$135-41	......	$140-46
Zinc cash	£302.5	-0.5	£284
3 months	£311.75	-0.5	£291.5
Producers	$550-600	......	$550-600
Oils			
Coconut (Phil.)	$610y	......	$640
Groundnut	£744	......	£745
Linseed Crude (v)	£368	......	£367
Palm Malayan	$585x	-5.0	$600
Seeds			
Copra Philip	$410y	......	$420
Soyabean (U.S.)	$303.6u	+6.87	$301.5
Grains			
Barley EEC		......	
Home Futures	£79.7	-0.15	£83.9
Maize			
French No. 3 Am	£105.5	-1.0	£105.75
Wheat			
No. 1 Red Spring	£96.75	+0.95	£96.5
No.2 Hard Winter		......	
English Milling	£1.3	......	£100
Cocoa Shipment	£1,732	-46.0	£2,027
Future July	£1,661.25	-56.75	£1,826.5
Coffee Future			
July	£1,451	-20.5	£1,415
Cotton 'A' Index	70.7c	-0.10	69.65
Rubber kilo	53p	......	47.5
Sugar (Raw)	£99	+0.5	£99
Woltops 64s kilo	280p	......	275p

* Nominal. † Unquoted. ‡ May-June. y May-Aug. u June. v April-June. w July. x May-July. z June-July. † Per ton.

FINANCIAL TIMES

May 16	May 15	Month ago	Year ago
245.19	245.68	240.72	272.14

(Base: July 1, 1952=100)

REUTER'S

May 16	May 15	Month ago	Year ago
1455.5	1451.1	1452.0	1678.2

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	May 16	May 15	Month ago	Year ago
Spot	359.88	361.98	361.15	421.50
Futures	352.12	353.4	352.18	392.70

(Average 1924-25-26=100)

MOODY'S

Moody's	May 16	May 15	Month ago	Year ago
Spie Commty	918.5	918.9	906.1	[illegible]

(December 31, 1931=100)

GRIMSBY FISH—Supply moderate and demand good. Prices per stone at ship's side unprocessed): Shelf cod £3.60-£4.20; codlings £2.40-£3.20; large haddock £4.00-£4.30, medium £3.60-£4.20; small £2.40-£2.60; large plaice £4.00-£4.70, medium £4.40-£4.90, best small £3.40-£4.00; skinned dogfish (large) £6.80, medium £4.80; large lemon soles £8.50, medium £6.00; rock £1.80-£2.40; saithe £2.00-£2.40.

*

LONDON PALM OIL—Closing: May, June, July and Aug. 300.00-320.00, Sept. 290.00-330.00, Oct. 290.00-320.00, Nov. 290.00-315.00, Dec. 290.00-310.00, Jan. unquoted. Sales: nil (same).

U.S. Markets

Coffee gains—precious metals up

NEW YORK, May 16

PRECIOUS METALS rallied on local and Commission House buying entering stop-loss buying, Bache reported. Copper finished slightly lower on continued trade hedge-selling, while Cocoa eased on trade arbitrage selling. Coffee finished limit-up on chartist and Commission House buying. Price movements in grains were mixed on Commission House and commercial activity.

Cocoa—May 143.40 (146.40), July 140.10 (143.15), Sept. 139.73, Dec. 131.80, March 128.55, May 126.00, July 125.45, Sept. nil. Sales: 688 lots.

Coffee—"C" Contract: May 176.50-176.75 (174.38), July 163.50-163.60 (160.00), Sept. 151.75, Dec. 137.54, March 129.30 bid, May 126.00 bid, July 121.50 bid, Sept. 115.75 bid. Sales: 530 lots.

Copper—May 58.00 (58.20), June 58.70 (59.50), July 59.90, Sept. 61.00, Dec. 62.60, Jan. 63.10, March 64.10, May 65.10, July 66.10, Sept. 67.10, Dec. 68.60, Jan. 69.10, March 70.10. Sales: 3,500 lots.

Cotton—No. 2: July 60.90 (60.60), Oct. 62.55-62.90 (62.85), Dec. 63.90-64.00, March 64.97-65.00, May 65.65-65.80, July 65.75-66.20, Oct. 65.25-66.00. Sales: 325,000 bales.

*Gold—May 175.10 (176.10), June 175.60 (176.60), July 176.70, Aug. 179.90, Oct. 182.30, Dec. 184.70, Feb. 187.20, April 189.80, June 192.30, Aug. 194.70, Oct. 197.90, Dec. 200.70, Feb. 203.30. Sales. 8,000 lots.

†Lard — Chicago loose unavailable (same). NY prime steam 25.50 traded (25.75 asked).

‡Maize—May 263-263½ (262½), July 256-258½ (257½), Sept. 254½, Dec. 250-250½, March 261½-261½, May 263.

§Platinum—July 232.00-234.00 (230.40), Oct. 231.50-232.50 (231.90), Jan. 233.00, April 233.00-234.00, July 233.10-233.50, Oct. 233.40-233.60, Jan. 233.90-234.10. Sales. 2,500 lots.

¶Silver—May 512.50 (507.80), June 514.00 (509.10), July 517.50, Sept. 524.00, Dec. 535.80, Jan. 539.50, March 547.80, May 555.90, July 564.20, Sept. 572.70, Dec. 585.60, Jan. 590.00, March 599.10. Sales. 8,000 lots. Handy and Harman bullion spot 505.90 (507.40).

Soyabeans—May 727½-727 (727½), July 718-716 (721), Aug. 701-702, Sept. 661-662, Nov. 629½-630, Jan. 634, March 640½-641, May 643½.

||Soyabean Meal—May 179.40 (180.40), July 182.20-182.50 (182.40), Aug. 182.00-181.50, Sept. 176.10, Oct. 170.50, Dec. 168.50-168.00, Jan. 168.50-169.00, March 171.00, May 171.50-171.00.

Soyabean Oil—May 27.95-28.05 (28.15), July 27.05-27.00 (27.35), Aug. 26.10-26.00, Sept. 25.00, Oct. 24.00-24.05, Dec. 23.25-23.20, Jan. 22.90-22.95, March 22.20, May 22.50.

Sugar—No. 11: July 7.23-7.25 (7.26), Sept. 7.52 (7.54), Oct. 7.64, Jan. 7.75-8.20, March 8.45-8.47, May 8.55-8.60, July 8.75-8.70, Sept. 8.90-8.94, Oct. 9.00. Sales: 2,125 lots.

Tin—520.00-545.00 asked (525.00-545.00 asked).

**Wheat—May 321 (321½), July 320½-321½ (321), Sept 324½, Dec. 329, March 332½, May 330½.

WINNIPEG, May 16. ††Rye—May 105.80 bid (105.50 bid), July 106.80 (106.70 asked), Oct. 109.50 asked, Nov. 107.50 bid, Dec. 107.50 bid.

††Oats—May 85.90 bid (85.60), July 80.50 (80.00 bid), Oct. 78.40, Dec. 76.80, March 76.00.

‡‡Barley—May 80.60 (80.90), July 80.00 (80.80), Oct. 80.10 bid, Dec. 80.00 asked, March 80.00.

§§Flaxseed—May 263.00 bid (264.50 bid), July 266.00 (266.80-267.00), Oct. 268.00, Nov. 263.50 asked, Dec. 263.30 asked.

¶¶Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence 162.61 (163.26).

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounce—100 ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob. NY bulk tank cars. ‡ Cents per 56 lb bushel ex-warehouse 5,000 bushel lots. § $s per troy ounce for 50 oz units of 99.9 per cent purity delivered NY. ¶ Cents per troy ounce ex-warehouse. || New "B" contract in $s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60 lb bushel in store. †† Cents per 24 lb bushel. ‡‡ Cents per 48 lb bushel ex-warehouse. §§ Cents per 56 lb bushel ex-warehouse, 1,000 bushel lots. ¶¶ [illegible] tonne.

STOCK EXCHANGE REPORT

Reservations about trade figures curtail enthusiasm

Equity leaders above lowest—Gilt-edged also turn down

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 2	May 11	May 12	May 23
May 15	May 25	May 26	Jun. 7
May 30	Jun. 8	Jun. 9	Jun. 20

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

The validity of monthly trade balances and, in particular, last month's record surplus of £336m, was questioned firstly by foreign exchange markets, where sterling became unsettled, and then by stock markets which, after early firmness, drifted lower in subdued trading.

Initial business in leading equities was evenly matched with institutional interest again evident, but fading soon after the Coats Patons' forecast of significantly lower profits this year and remarks concerning current trading in Europe, later endorsed by Unilever, which reported first-quarter results much lower than market expectations.

A downturn in the funds, initially a shade better in line with late overnight levels, also deterred potential buyers of equities and it was not until publication of the monthly industrial production index showing a more encouraging trend over the first three months of the year that inquiries were resumed.

The result of this was to lift the FT 30-share index from 479.3, down 5.7, at the 2 pm calculation to a close of 481.6, a net loss of 3.4; at the first measurement of the day, the index had been 0.4 higher at 485.4. Official bargains increased to 5,885, compared with 5,546 on the previous day and the week-ago figure of 6,010.

Sceptism over the way monthly trade returns are compiled and especially the reservations accompanying the record April figures failed to discourage early Gilt-edged investors. An extension of recent persistent switching into the long tap Exchequer 12 per cent 1998 brought fresh gains in the sector of ¼, but the subsequent move by the Government broker in activating the stock, supplying a nominal amount at 65¼, soon changed the market's mood. Domestic and overseas selling followed and, in sensitive conditions, few were courageous enough to take up stock. The longer maturities closed a net ⅜ lower. In line with the general trend, the shorts were unable to maintain attempted rallies and settled with falls extending to ⅛. Overall trade was pretty thin, being restricted by the presence of the new tap for which application lists open tomorrow; the stock now looks a little dear in relation to existing issues. Corporations were generally lower apart from a few nearer maturities and the recently-issued Tyne and Wear 12 per cent. 1986 scrip slipped to a discount again, at 93 in £10-paid from.

In one of the heaviest sessions since business started, contracts in traded options totalled 900 which is close to the considered break-even point of 1,000. Cons. Gold attracted 163 deals, with the January 180 series particularly active with 66 trades. Similarly, BP traded 141 times with the July 900 series showing 58 deals, while 41, of a total of 112, were done in Courtaulds October 130. Business was fairly well spread in all ICI positions with a combined total of 131 deals.

A well-matched business in a reasonable turnover left the investment currency premium ¼ higher on balance at 109½ per cent. The rate had dipped to 108⅝ per cent on sterling's initial rise but subsequent weakness of the pound saw it touch 109⅞ per cent in the later trade. Yesterday's conversion factor was 0.6843 (0.6825).

C. E. Heath please

C. E. Heath stood out in Insurances with a gain of 10 to 275p in response to the sharply higher annual profits. London United Investments were wanted at 175p, up 7, but General Accident relinquished 4 to 218p, after 216p, in front of today's first-quarter figures. Commercial Union touched 154p before closing a net 2 lower at 156p and Royals closed 4 off at 366p, after 363p.

Home Banks edged higher in thin trading. Barclays put on 5 to 358p and Lloyds hardened 3 to 293p, while Natwest closed a penny dearer at 293p, after 295p. Seccombe Marshall and Campion were dull in Discounts, losing 10 to 220p in reaction to the disappointing preliminary results. Alexanders shed 6 to 244p but Cater Ryder improved 3 to 293p: the latter's annual figures are due today.

Breweries drifted gently lower. Whitbread A eased a penny to 99p in front of today's preliminary figures.

In Buildings, AP Cement were again dull on lack of interest and closed 7 lower at 252p. Elsewhere, buying interest was confined to a few selected stocks. Phoenix Timber added 7 to 175p for a two-day rise of 15 and Nottingham Brick put on 4 to 250p. F. J. C. Lilley, 76p, and Watts Blake Bearne, 167p, improved 3 and 4 respectively in thin markets. A reasonable two-way trade continued in French Kier following the results and the shares closed a penny easier at 32p. M. J. Gleeson were similarly lower ahead of the interim figures due today, while Marley cheapened 3 to 82p in front of results due at the end of the month. In contrast, Blockleys firmed 4 to 76p after the preliminary figures and Cakebread Robey closed 2 dearer at 25p also on results.

In Chemicals, ICI moved between extremes of 367p and 358p before closing a penny easier on balance at 362p. Fisons eased 6 to 368p, but Hickson and Welch, 203p, and William Ransom, 190p, improved 10 and 5 respectively on small buying in thin markets.

Following the agreed £3.9m offer for printers and publishers Hutchinson, LWT A eased 3 to 129p: Hutchinson 10 per cent preference rose 15 to 80p.

Monday's trend was repeated in Stores yesterday with secondary concerns again providing most of the interest. Lee Cooper were erratic, falling to 133p despite the sharply higher profits and proposed scrip-issue before rallying late to finish 2 harder on balance at 145p. Foster Bros. Clothing added 3 to 112p following the results and Austin Reed A firmed 5 to 91p in response to the chairman's optimistic statement. Following its recent rejection of Mooloya's bid worth 20p per share, Customagic made progress on hopes of an increased offer to finish 1½ to the good at 23p. A. and J. Gelfer put on 3 to 38p and Sumrie revived with an improvement of 4 to 26p. The leaders drifted lower in thin trading. Mothercare lost 4 to 168p and Marks and Spencer shed a penny to 141p. F. W. Woolworth eased a fraction to 65p in front of today's first-quarter figures.

Electricals spent a quiet session. A. B. Electronic stood out at 106p, up 8, on revived speculative interest, while Fidelity Radio contrasted with a fall of 3 to 78p on the reduced earnings. Other dull spots included Thorn Electrical, 4 off at 342p, and Racal Electronics, 6 down at 232p.

A combination of revived investment and speculative demand helped John Brown feature Engineers with a rise of 9 to a 1978 peak of 341p; the annual results are expected next month. Other leaders closed mixed with Tubes up 2 at 372p but GKN 3 easier at 277p and Hawker 4 lower at 214p. Elsewhere, Concentric lost 4 to 39p, after 38p, in reaction to the disappointing half-year profits, but buyers came for Jones and Shipman and Birmingham Pallet which closed 7 dearer at 132p and 101p respectively. Spirax-Sarco added 5 more at 283p and Wolseley Hughes added 6 to 198p. Already 2½ better at 34½p Associated Tooling were unmoved by the afternoon disclosure from Laser Engineering that it has disposed of its 27½ per cent stake in the company.

In quiet fods, Ranks Hovis McDougall closed marginally better at 53½p on the statement that accompanied the interim figures, while the optimistic tenor of the chairman's report at the annual report lifted Associated Biscuit 2 to 86p. J. N. Nichols (Vimto) rose 5 to 130p in anticipation of today's preliminary results, while similar gains were seen in J. Bibby, 230p, and Bluebird Confectionery, 164p. On a dull note, Tate and Lyle eased 4 to 182p and Linfood 6 to 128p. Supermarkets had an isolated feature in William Morrison which rose 10 to 213p in a thin market. Hotels and Caterers had Reo. Stakis a penny better at 42p following the increased first-half profits and scrip issue proposal.

Unilever disappoint

A couple of pence harder at the outset on further consideration of the April UK trade returns, miscellaneous Industrial leaders took a distinct turn for the worse around midday in sympathy with a decline in sterling and disappointing company anouncements. Prices picked up a shade towrads the close but Unilever ended 10 down on the day at 512p, after 504p, following profits which were some £15m. below expectations. Trafalgar House were also weak in reaction to the bearish statement which accompanied the interim results and, after touching 132p, closed a net 5 cheaper at 133p. Beecham moved between extremes of 667p and 657p before settling at 660p for a loss of 4 on the day, while similar falls were seen in Metal Box, 308p, and Pilkington, 490p. Ahead of tomorrow's annual results, Boots finished a penny easier at 224p, after 223p Elsewhere, Hestair relinquished 4 to 97p, after 96p, folowing details of the proposed £3m rights issue and Compton Sons and Webb gave up 1½ to 24½p, after 32½p. Comment on the results left Dunbee-Combex 6 lower at 130p. Sharna Ware, on the other hand, rose 6 to 98p on speculative buying in front of today's annual meeting. Cape Industries added 6 to 123p following demand of a similar nature fuelled by vague suggestions that Charter Consolidated are to launch a bid. Press predictions of bumper half-year profits when they report next Wednesday helped Avon Rubber advance 4 more to 216p, while Crosby House added 5 to 135p following news that a large shareholding has changed hands. Stonehill hardened 2 to 95p in front of today's results and Whatman Reeve Angel firmed 10 to 242p in a thin market.

Among Motors and Distributors, Lucas Industries reacted 4 to 314p following the company's denial of a trade union suggestion that 18,000 jobs might be lost by 1985. Kwik-Fit were also dull at 47p, down 3, despite the announcement of increased earnings and capital resources.

In quietly traded Newspapers, Pearson Longman firmed 5 to 192p, after 193p, in sympathy with the improvement seen in S. Pearson. East Midland Allied Press A eased 3 to 89p after recent firmness. Among Paper/Printing, Bunzl eased 4 more to 94p, after 93p, following confirmation of reduced profits and Tridant eased 3 to 35p on small selling in a thin market.

Following a reasonable turnover, leading Properties closed marginally lower after a firm start. Land Securities eased 3 to 210p and English Property a penny to 39p. Secondary issues encountered some selective buying interest, notably Allnatt, 202p, and Lynton, 112p, both of which firmed 4. Regional Property and Property Partnerships added 2 apiece to 82p and 87p respectively. Despite news that loan curbs could hit the housebuilding revival, A. J. Mucklow improved 3 to 115p and Fairview Estates a penny to 114p. Elsewhere, Land Investors, 40½p, held a modest improvement following the interim statement.

Oils mixed

Following the reaction in sterling, U.S. buying left British Petroleum 10 higher at 878p, but Shell eased 12 to 364p in front of the first quarter figures due tomorrow. Elsewhere, Ultramar, 288p, and Siebens UK, 356p, put on 8 and 10 respectively in late dealings. Weeks Natural Resources eased slightly to 182p after the previous day's rise of 33.

Still reflecting news of a Kowloon development, Hong Kong and Kowloon Wharf rose 7½ to 327½p for a two-day gain of 15½.

Investment Trusts had a firm appearance, sentiment being helped by the strength of Wall Street. Camellia Investments improved 10 more to a 1978 peak of 230p, while Bishopsgate Trust, 158p, Broadstone Investment, 148p, and Investment Trust Corporation, 214p, all closed 4 better. S. Pearson continued firmly in Financials, rising 7 to 217p for a two-day gain of 15. Still reflecting the company's planned acquisition of the remaining shares in its subsidiary RKT Textiles not already owned, R. Kitchen Taylor rose 5 to 80p for a two-day rise of 17. Speculative activity was responsible for a further improvement of 1½ to a 1978 peak of 14½p in Fitzroy Investment, while Grimshawe rose 3 to 20p and stockjobbers Akroyd and Smithers 5 to 223p.

Shippings made a lacklustre showing with Ocean Transport outstanding at 123p, down 5½, on the profits warning given at the annual meeting. Furness Withy lost a like amount at 272p despite preliminary figures slightly above expectations, while P. & O. Deferred eased 2 to 94p and Reardon Smith 5 to 82p.

Proceedings in Textiles were dominated by the performance of Coats Patons which dropped 7 to 76p on the profits warning which accompanied disappointing preliminary figures. Carrington Viyella shed 2 to 41p and Tricoville receded 4 to 68p. W. Goodkind moved up 2 to 18p on the return to profitable trading, while gains of around 3 were seen in Mackinnon of Scotland, 39p, and Snia Viscosa, 59½p.

In South African Industrials, Primrose, 72p, recovered 5 of the previous day's fall of 10 following further consideration of the details of ongaat's control.

Recent favourites amang Rubbers turned lower on profit-taking. Castlefield, 275p, and Guthrie, 202p, lost 10 and 5 respectively; the latter's annual results were published on June 9 last year.

Australians firmer

Australians continued to attract most of the attention in mining markets following another overnight display of strength in Sydney and Melbourne.

Improvements were widespread and although the more expensive quality stocks all moved ahead it was the cheaper-priced speculative issues that were most actively traded.

Among the latter, Mid-East Minerals rose 2 more to 34p, continuing to reflect its holding in Pancontinental, while Ocean Resources, with leases adjacent to the Jabiluka uranium prospect, hardened another penny to 20p.

Similar gains were made by Metals Exploration, at a 1978 high of 18p, and Mount Lyell, 24p. Pacific Copper put on 2 to 37p but profit-taking left Paringa Mining and Exploration 1½ cheaper at 28½p.

In the quality stocks BH South continued to draw strength from last week's closure of its Queensland Phosphate operation: the shares added 4 more at a high of 88p.

Western Mining also attained a 1978 high, rising a similar amount to 123p. Profit-taking caused Pancontinental to give up a half-point at £11½ but Peko-Wallsend gained further ground to close another 6 higher at 456p.

Small selective buying interest enabled South African Golds to make headway but the afternoon downturn in the bullion price pared earlier gains.

The bullion price was finally unchanged at $175.375 per ounce, after having risen to $177.10 at the morning fixing, while the Gold Mines index rose 2.1 to 151.3.

Among the heavyweights, Free State Geduld were prominent with a ½ improvement to £15¼, while Hartebeest added ½ at £11½. Medium-priced issues were featured by Western Deep, 20 better at a high of 786p, while Doornfontein advanced 16 more to 302p.

South African Financials were quiet but among the London-based issues Rio Tinto-Zinc touched a new high of 215p before easing back to close unchanged on balance at 212p. Platinums moved ahead in response to the firmness of the metal price with Rustenburg 3 better at 86p.

FINANCIAL TIMES STOCK INDICES

	May 16	May 15	May 12	May 11	May 10	May 9	A year ago
Government Secs.	71.14	71.47	71.02	70.97	71.01	71.12	71.19
Fixed Interest	72.40	72.40	72.26	72.23	72.17	72.30	90.97
Industrial Ordinary	481.6	485.0	488.3	479.9	475.0	471.1	468.2
Gold Mines	151.3	149.2	148.6	150.0	148.4	144.1	113.3
Ord. Div. Yield	5.52	5.50	5.49	5.58	5.64	5.68	4.92
Earnings Y'ld%(full)*	16.75	16.68	16.65	16.92	17.11	17.23	16.17
P/E Ratio (net)(*)	7.99	8.02	8.04	7.91	7.82	7.77	9.68
Dealings marked	5,885	5,546	5,039	5,061	6,455	6,010	6,727
Equity turnover £m	—	93.80	92.76	80.25	72.42	71.13	72.21
Equity bargains total		17,882	18,425	15,098	15,065	15,767	18,463

10 a.m. 485.4. 11 a.m. 485.4. Noon 482.9. 1 pm 479.4. 2 pm 479.3. 3 pm 479.9.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=7.84.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	70.97 (11/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (3/1)	72.17 (10/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (6/5)	130.3 (6/3)	442.3 (22/5/75)	43.5 (28/10/71)

S.E. ACTIVITY

	May 16	May 15
Daily		
Gilt-Edged	167.3	144.3
Industries	216.8	198.0
Speculative	41.4	40.6
Totals	134.0	126.3
5-day Average		
Gilt-Edged	153.3	152.8
Industrials	195.0	196.3
Speculative	37.8	37.5
Totals	122.8	123.5

LONDON TRADED OPTIONS

Option	Exercise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	140	5	154	2	166	—	878p
BP	800	95	9	110	5	126	5	"
BP	850	54	21	76	5	96	—	"
BP	900	25	58	49	14	69	25	"
Com. Union	140	31	—	27	20	29	10	156p
Com. Union	160	8	2	15	5	17	5	"
Cons. Gold	160	23	25	31	20	35	5	174p
Cons. Gold	180	10½	26	19	21	24	66	"
Courtaulds	100	25½	6	26½	10	26	—	124p
Courtaulds	110	16	—	18½	2	19½	5	"
Courtaulds	120	9	6	13	13	14½	—	"
Courtaulds	130	5½	27	9½	41	11	2	"
GEC	220	45	12	50	5	56	—	257p
GEC	240	28	18	35½	—	43	—	"
GEC	260	14½	12	25	10	32	10	"
Grand Met.	100	19	—	22½	6	24	—	115p
Grand Met.	110	11½	5	14½	6	18½	—	"
Grand Met.	120	6	12	10	8	14	5	"
ICI	350	47	7	50	25	66	15	361p
ICI	360	25	25	31	30	56	33	"
Land Secs.	180	35½	10	37½	6	42	10	211p
Land Secs.	200	17½	9	25	12	28	2	"
Land Secs.	220	7	15	14	40	18	6	"
Marks & Sp.	140	14	10	18	6	21	10	141p
Marks & Sp.	160	5	11	6	—	10	—	"
Shell	500	66	6	103	—	108	—	562p
Shell	550	49	6	60	1	65	—	"
Shell	600	19	—	31	8	38	—	"
Totals			375		309		216	

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (199)

AMERICANS (79)
CANADIANS (4)
BANKS (2)
BEERS (2)
BUILDINGS (7)
CHEMICALS (2)
DRAPERY AND STORES (13)
ELECTRICALS (7)
ENGINEERING (15)
FOODS (9)
HOTELS (2)
INDUSTRIALS (38)
INSURANCE (3)
MOTORS (6)
NEWSPAPERS (2)
PAPER AND PRINTING (2)
PROPERTY (4)
SHOES (1)
TEXTILES (3)
TRUSTS (36)
OILS (4)
OVERSEAS TRADERS (4)
RUBBERS (3)
MINES (8)

NEW LOWS (14)

BRITISH FUNDS (2)
Treasury 9½pc 80-82 Exchq. 9¼pc 1982
CHEMICALS (1)
Burrell
CINEMAS (1)
Scottish TV "A"
ELECTRICALS (1)
Philips Fin. 5¾pc
ENGINEERING (2)
Concentric Danks Gowerton
INDUSTRIALS (3)
Dentsply 9pcCv.91-96 Whiteley B. S. & W.
Hestair
PAPER (2)
Bunzl Pulp Tridant Group
SHIPPING (2)
Lyle Shipping Reardon Smith

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	3	62	11
Corpns. Dominion and Foreign Bonds	14	11	46
Industrials	381	301	866
Financial and Prop.	182	72	265
Oils	10	5	19
Plantations	4	7	22
Mines	50	11	61
Recent Issues	4	5	16
Totals	648	474	1,300

FINANCIAL TIMES

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ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
ICI	£1	14	362	− 1	365	328
Shell Transport	25p	14	364	−12	586	484
BP	£1	13	878	+10	878	720
Ocean Transport	25p	12	123	− 5½	138	117
GEC	25p	11	257	− 1	278	233
Lucas Inds.	£1	11	314	− 4	318	240
BAT Inds.	25p	10	342	− 3	345	267
Coats Patons	25p	10	76	− 7	84	67
Grand Met.	50p	10	115	− 1	116	87
Hawker Siddeley	25p	10	214	− 4	220	166
Tarmac	50p	9	157	− 4	160	124
Unilever	25p	9	512	−10	548	476
Beecham	25p	8	660	− 4	678	583
Marks & Spencer	25p	8	141	− 1	160	136
Thorn. Elect.	25p	8	342	− 4	393	330

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 10	May 22	Aug. 3	Aug. 15
May 23	Jun. 6	Aug. 17	Aug. 30
Jun. 7	Jun. 20	Aug. 31	Sep. 14

For rate indications see end of Share Information Service

Money was given for the call in English Property, Dunlop, Avon Rubber, Ultramar, Bridgend, Greenall Whitley, Newman Industries, P and O deferred, Paringa, Wit. Nigel, Carding Group, Coral Leisure, American Trust, Montagu Boston, Kwik-Fit, Harrisons and Crosfield, Pacific Copper, Pan Continental and UDT. A put was done in Lofs, while doubles were arranged in Lofs, Robertson Foods, Newman Industries, Burmah Oil and Pacific Copper. Short-dated calls were taken out in Avon Rubber and ICL, while doubles were transacted in Siebens Oil (UK) and ICL.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
105	F.P.	26/5	145	118	Saga Holidays	136		6.75	2.8	7.5	9.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
‡	F.P.	—	97¼p	91¾p	Amal. Inds. 10% 2nd. Prf.	97¼p	
$100	F.P.	—	—	—	Amer. Express Int. Fin. Variable	[illegible]	
100p	F.P.	20/5	[illegible]	[illegible]	Armitage (G.) 10¼% 2nd Cum. Pref.	109p	
—	F.P.	—	[illegible]	[illegible]	Brittains 9% Cnv. Uns. Ln.	[illegible]	
—	F.P.	—	[illegible]	[illegible]	Gatek Malay. 10% Ln. Nort.	27	
£98	£50	26/6	[illegible]	[illegible]	Greenwich (Lon. Bor. of) 11½% Red. 1986	[illegible]	
—	F.P.	—	[illegible]	[illegible]	Hanks & Cattell 10% Cum. Pref.	[illegible]	
—	F.P.	—	[illegible]	[illegible]	Mearns (J.) 8% Cum. Prf.	[illegible]	
—	F.P.	—	[illegible]	[illegible]	Mid-Sussex Water 9% Red. Prf. 1983	101	
—	F.P.	—	[illegible]	[illegible]	Pitman 10% Cum. Prf.	[illegible]	
—	F.P.	—	[illegible]	[illegible]	Saleos Lt. Cnv. Uns. Ln. '79-85	97	
£100	F.P.	26/5	[illegible]	[illegible]	Trebel Lt. Cnv. Uns. Ln. 1985	[illegible]	
£98	£10	—	[illegible]	[illegible]	Tyne & Wear 12% Red. 1986	[illegible]	
—	F.P.	—	101p	101p	Wade Potteries 10% Pref.	101	

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
55	Nil	23/6	20pm	15pm	Brown Boveri Kent	20½pm	+1
50	F.P.	—	112	—	Bulloughs	112	
$C94	Nil	—	39pm	31pm	Canadian Imperial Bank	37½pm	+1½
25	F.P.	—	18	16	Gestetner	17	
72	Nil	26/5	28pm	25pm	Horizon Midlands	28¼pm	
245	Nil	31/5	55pm	51pm	Rowntree Mackintosh	51pm	+1
80	F.P.	2/6	187	165	Turner & Newall	185	
20p	Nil	—	5pm	4pm	Wm. Walton	5pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. a Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS / GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., May 16, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) (Corp. Tax 52%)	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) (Corp. Tax 52%)	Mon. May 15 Index No.	Fri. May 12 Index No.	Thur. May 11 Index No.	Wed. May 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (170)	213.93	−0.5	17.47	5.57	7.97	214.97	214.72	212.42	210.40	184.34
2	Building Materials (27)	192.52	−1.1	17.75	5.65	8.07	194.47	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (26)	344.03	−1.0	19.44	3.95	7.49	347.58	347.05	347.12	343.26	251.79
4	Electricals (15)	447.09	−0.4	15.30	3.97	9.26	448.87	445.42	[illegible]	[illegible]	[illegible]
5	Engineering Contractors (14)	321.95	+0.6	17.82	6.35	7.61	319.95	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (71)	171.36	−0.6	18.82	6.10	7.22	172.35	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (17)	168.77	−0.5	16.70	8.31	8.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	CONSUMER GOODS (DURABLE) (53)	197.51	−0.6	17.13	4.81	8.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12	LT. Electronics, Radio TV (15)	236.60	−0.8	15.25	3.72	9.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13	Household Goods (12)	176.95	−0.2	16.30	6.36	8.43	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14	Motors and Distributors (26)	126.68	−0.3	20.06	6.06	7.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	CONSUMER GOODS (NON-DURABLE) (176)	205.59	−0.8	15.65	5.68	8.68	207.33	207.45	205.98	203.84	172.97
22	Breweries (14)	239.60	−0.6	13.63	5.55	11.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23	Wines and Spirits (6)	262.15	−1.1	15.43	5.50	9.83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24	Entertainment, Catering (17)	262.05	−0.7	13.44	6.51	10.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (22)	200.40	−0.3	20.14	5.79	6.57	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (16)	199.67	+0.4	14.21	4.69	9.70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Newspapers, Publishing (12)	390.07	−0.1	10.00	3.18	14.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33	Packaging and Paper (15)	130.51	−0.7	20.03	9.11	7.07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (38)	190.09	−0.9	12.57	4.32	13.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (25)	185.28	−2.7	20.55	7.25	5.93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	Tobaccos (3)	258.70	−0.6	21.37	7.24	5.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37	Toys and Games (6)	104.53	−1.3	20.24	5.97	6.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	OTHER GROUPS (97)	195.75	−0.3	16.30	5.79	8.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (19)	267.48	−0.3	18.83	6.48	7.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Pharmaceutical Products (7)	259.46	−0.4	11.14	3.93	11.23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Office Equipment (6)	135.57	+0.5	18.02	4.77	6.57	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46	Shipping (10)	434.17	−1.7	18.27	7.23	6.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Miscellaneous (55)	207.39	−0.1	15.64	6.35	8.95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (495)	211.56	−0.6	16.35	5.62	8.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (5)	498.49	−0.4	14.81	3.97	7.32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	235.30	−0.5	16.11	5.37	8.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (100)	169.90	−0.2	—	5.83	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	202.19	+0.5	23.41	5.33	6.47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	198.17	+0.6	—	5.67	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	157.41	−0.7	13.00	5.48	11.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	146.74	−0.8	—	6.19	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	129.44	−1.0	—	6.58	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (10)	312.40	−0.3	13.93	4.21	10.29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (14)	80.88	−0.7	—	5.42	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (31)	230.85	−0.1	2.97	3.05	54.69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (7)	108.14	+0.3	14.28	7.34	5.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (50)	207.99	+0.7	3.37	4.63	31.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	96.56	−0.1	17.27	7.16	7.13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (19)	319.95	−0.5	15.12	6.47	8.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (673)	217.63	−0.4	—	5.40	—	218.52	218.05	216.32	214.02	[illegible]

	FIXED INTEREST PRICE INDICES: British Government	Tues. May 16	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	105.76	−0.16	—	3.63
2	5-15 years	116.80	−0.43	—	2.44
3	Over 15 years	121.65	−0.41	—	4.97
4	Irredeemables	128.98	−0.42	—	6.08
5	All stocks	113.77	−0.31	—	3.77

	FIXED INTEREST YIELDS: Br. Govt. Av. Gross Red.		Tues. May 16	Mon. May 15	Year ago (approx.)
1	Low Coupons	5 years	8.52	8.48	7.16
2		15 years	10.85	10.77	10.30
3		25 years	11.42	11.34	11.50
4	Medium Coupons	5 years	10.89	10.75	9.43
5		15 years	11.96	11.96	11.27
6		25 years	12.24	12.17	11.96
7	High Coupons	5 years	11.19	11.06	10.20
8		15 years	12.37	12.27	12.23
9		25 years	12.39	12.34	12.57
10	Irredeemables		11.25	11.15	11.71

		Tuesday, May 16 Index No.	Yield %	Monday May 15	Friday May 12	Thurs. May 11	Wed. May 10	Tuesday May 9	Monday May 8	Friday May 5	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	57.87	†12.83	57.73	57.69	57.70	57.68	57.77	57.87	58.45	55.39
16	Investment Trust Prefs. (15)	52.17	13.61	52.17	52.16	52.26	52.40	52.45	52.27	54.82	51.62
17	Coml. and Indl. Prefs. (20)	70.30	12.98	70.33	70.32	70.32	70.35	70.59	71.25	71.05	71.39

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

J.E.T. Managers (Jersey) Ltd.
PO Box 194, Royal Tst. Hse., Jersey 0534 27441

Jersey Extrnl. Tst.	160.0	170.0	.....	—

As at April 28. Next sub. day May 31

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	$HK240.99	.....	3.00
Jardine J'pn.Fd.*	$HK321.15	.....	0.90
Jardine S.E.A.	$HK13.52	.....	2.30
Jardine Flem.Int.	$HK9.46	.....	—

NAV April 28. *Equivalent $US.60.36
Next sub. May 15

Keyselex Mngt., Jersey Ltd.
PO Box 98, St. Helier, Jersey. (Eng. 01-606 7070)

Fonselex	Frs.1,480	1,567	+23	2.90
Bondselex	Fr.122.56	128.29	+0.50	—
Keyselex Int'l.	£5.35	7.19	.....	4.17
Keyselex Europe	£3.86	4.34	.....	3.80
Japan Gth. Fund	$US23.51	25.29	.....	—
Keyselex Japan	£11.26	12.31	.....	—
Cent. Assets Cap.	£132.79		+0.02	.....

United States Tst. Intl. Adv. Co.
14, Rue Aldringer, Luxembourg

U.S. Tst. Inv. Fnd.	$US10.58	.....	0.95

Net asset May 11.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2 01-600 4555

Cnv.Bd.Fd. May 12	$US9.58		.....	—
Energy Int. May 12	$US17.05		.....	—
Gr.St.$Fd. Apr.30	$US6.85		.....	—
Mr.Eur.May 10	$US10.35	10.46	.....	—

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. April 27	$US12.26	12.57	.....	—
CMT Ltd. April 27	£12.35	12.66	.....	—
MetalsTst.April 20	£11.44	11.72	.....	—
TMT May 11	$US10.24	10.50	.....	—
TMT Ltd. May 11	£10.37	10.64	.....	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	$US14.40	+0.33	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by φ. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hill Samuel	§ 9 %
Allied Irish Banks Ltd.	9 %	C. Hoare & Co.	† 9 %
American Express Bk.	9 %	Julian S. Hodge	10 %
Amro Bank	9 %	Hongkong & Shanghai	9 %
A P Bank Ltd.	9 %	Industrial Bk. of Scot.	7½%
Henry Ansbacher	9 %	Keyser Ullmann	9 %
Banco de Bilbao	9 %	Knowsley & Co. Ltd.	11½%
Bank of Credit & Cmce.	9 %	Lloyds Bank	9 %
Bank of Cyprus	9 %	London Mercantile	9 %
Bank of N.S.W.	9 %	Edward Manson & Co.	10½%
Banque Belge Ltd.	9 %	Midland Bank	9 %
Banque du Rhone	9½%	■ Samuel Montagu	9 %
Barclays Bank	9 %	■ Morgan Grenfell	9 %
Barnett Christie Ltd.	9½%	National Westminster	9 %
Bremar Holdings Ltd.	10 %	Norwich General Trust	9 %
Brit. Bank of Mid. East	9 %	P. S. Refson & Co.	9 %
Brown Shipley	9 %	Rossminster Accept'cs	9 %
Canada Perm't. Trust	9 %	Royal Bk. Canada Trust	9 %
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	9 %
Cayzer Ltd.	9 %	E. S. Schwab	10½%
Cedar Holdings	9½%	Security Trust Co. Ltd.	10 %
Charterhouse Japhet	9 %	Shenley Trust	9½%
Choulartons	9 %	Standard Chartered	9 %
C. E. Coates	10 %	Trade Dev. Bank	9 %
Consolidated Credits	7½%	Trustee Savings Bank	9 %
Co-operative Bank	* 9 %	Twentieth Century Bk.	10 %
Corinthian Securities	9 %	United Bank of Kuwait	9 %
Credit Lyonnais	9 %	Whiteaway Laidlaw	9½%
The Cyprus Popular Bk.	9 %	Williams & Glyn's	9 %
Duncan Lawrie	¶ 9 %	Yorkshire Bank	9 %
Eagil Trust	9 %		
English Transcont.	9 %		
First London Secs.	9 %		
First Nat. Fin. Corpn.	10 %		
First Nat. Secs. Ltd.	9½%		
Antony Gibbs	9 %		
Greyhound Guaranty	9 %		
Grindlays Bank	‡ 9 %		
Guinness Mahon	9 %		
Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%. 1-month deposits 6½%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 6½% and over £25,000 6¾%.
‡ Call deposits over £1,000 6%.
§ Demand deposits 6¼%.
¶ Rate also applies to Sterling Ind. Secs.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or –	Yield Int.	Red.
102	100	Treasury 10½pc '78‡‡	100	.....	10.47	8.54
99⅝	98¼	Exch. 5pc '76-78‡‡	98¾	+ 1/16	5.06	8.45
105⅛	102	Treasury 11½pc '79‡‡	102	.....	11.27	8.82
97	94¾	Treasury 3pc '79‡‡	95	.....	3.16	6.91
97⅞	95⅛	Electric 4¼pc '74-79	95	.....	4.44	7.51
104	101	Treasury 10½pc '79‡‡	101	– 1/32	10.39	9.63
96½	94¾	Electric 3½pc '76-79	95½	.....	3.66	6.69
103⅝	98⅛	Treasury 9pc 1980‡‡	99	– 1/16	9.09	9.58
102	99⅜	Treasury 9½pc '80‡‡	99⅞	– 1/16	9.51	9.57
95⅜	92⅝	Treasury 3½pc '77-80	93⅝xd	.....	3.74	6.85
96½	94	Funding 5¼pc '78-80‡‡	94⅞xd	–¼	5.53	7.98
110¾	105	Exchequer 13pc 1980‡‡	105xd	– 7/16	12.34	10.53
106¼	101	Treasury 11½pc 1981‡‡	101¾	– 7/16	11.30	10.69
91⅝	88⅝	Treasury 3½pc 1979-81	89½	.....	3.91	7.80
101¼	98	Treasury 9¾pc 1981‡‡	98	– 3/16	9.92	10.42
97	94	Exch. 8¼pc 1981	94xd	– 3/16	8.72	10.38
100¾	96	Exch. 9½pc 1981	97	.....	9.82	10.74
87	86¼	Exch. 3pc 1981	86¼	.....	3.48	7.85
96	96⅛	Treas. Variable '81§§	96⅝xd	+ 1/16	6.35	10.13
111	105⅛	Exch. 12¾pc 1981‡‡	105xd	– 7/16	12.12	10.93
99⅜	93	Treas. 8½pc '80-82‡‡	93	– 7/16	9.06	10.56
86⅝	83¾	Treasury 3pc '82‡‡	84⅛	.....	3.55	7.89
115⅞	109	Treasury 14pc '82‡‡	109	– 7/16	12.82	10.98
96	95⅛	Treas. Variable '82§§	95xd	.....	6.80	8.98
96⅜	91	Treasury 8¼pc '82	91	– 9/16	9.01	10.83
100¼	94⅜	Exch. 9¼pc 1982	94⅜	– 3/16	9.80	10.87
—	—	Exch. 9¼pc 1982 A#	£94½	.....	9.76	10.79
96	92	Exch. 8¾pc 1983	92	– 1/16	9.49	10.92
85¼	80⅝	Exch 3pc '83	80⅞	+⅛	3.71	7.88
114¼	103½	Treasury 12pc 1983‡‡	103¾	–⅜	11.57	10.96

Five to Fifteen Years

1978 High	Low	Stock	£	+ or –	Yield Int.	Red.
100⅛	95¾	Treasury 9½pc '83	96¼	–⅜	9.92	10.99
89⅝	84¼	Funding 5½pc '82-84‡‡	84½	–⅜	6.65	9.52
96⅞	91⅞	Treasury 8½pc '84-86‡‡	92	–⅜	9.55	10.53
87⅝	79	Funding 6½pc '85-87‡‡	79¼	–⅜	8.23	10.12
89⅝	82¼	Treasury 7¾pc '85-88‡‡	83¾	–⅜	9.52	10.90
68⅝	61¾	Transport 3pc '78-88	62⅞	–⅜	4.66	8.78
75⅝	65⅝	Treasury 5pc '86-89	66¼	–⅜	7.60	10.11
115¾	107⅛	Treasury 13pc 1990‡‡	109¼	–⅜	12.41	12.20
89⅛	78⅞	Treasury 8¼pc '87-90‡‡	79½xd	–⅜	10.29	11.31
106½	98⅛	Treasury 11¾pc 1991	100¼	–⅜	12.22	12.34
75⅛	64⅞	Funding 5¾pc '87-91‡‡	65⅛	–⅜	8.89	10.91
112⅛	103¾	Treasury 12¾pc '92‡‡	105⅝	–⅜	12.55	12.49
96⅜	85½	Treasury 10pc 1992	88	–⅜	11.67	12.16
113	99	Exch. 12¼pc '92	101	–⅜	12.46	12.50

Over Fifteen Years

1978 High	Low	Stock	£	+ or –	Yield Int.	Red.
110⅝	101	Treasury 12½pc '93‡‡	103⅞	–⅜	12.54	12.54
72⅞	62¼	Funding 6pc 1993‡‡	62⅞	–⅜	9.70	11.28
120¼	105½	Treasury 13¾pc 1993‡‡	106⅝xd	–⅜	12.87	12.72
128⅞	113⅛	Treasury 14½pc '94‡‡	114⅝	–⅜	13.00	12.76
114⅛	100¼	Exch. 12½pc 1994	101⅞	–⅜	12.63	12.64
89⅞	78	Treasury 9pc '94‡‡	78¾xd	–⅜	11.43	11.98
106¾	98¼	Treasury 12pc '95	99¾	–⅜	12.49	12.55
51⅞	44¾	Gas 3pc '90/95	44⅝	–⅜	6.72	9.73
95	85¾	Exch. 10¼pc 1995	87⅝	–⅜	12.06	12.37
114⅜	99½	Treasury 12¾pc '95‡‡	100⅞	–⅜	12.65	12.63
90½	76⅛	Treasury 9pc '92-96‡‡	78⅞	–⅜	11.64	12.12
131½	115⅝	Treasury 15¼pc '96‡‡	116¾	–⅜	13.13	12.91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 46¼% (based on $US1.8135 per £)

Conversion factor 0.6843 (0.6825)

CANADIANS

[illegible]

S.E. List Premium 46¼% (based on $2.0095 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا مت الأجل

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

INSURANCE

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh.50c	170	.....	Q50c	1.3	25.1
24	16	Rhod'n Corp 16½p.	16	.....	0.56	ϕ	5.3
73	52	Roan Cons. K4	63	.....	—	—	—
147	122	Tanganyika 50p	141	−1	Q11.0	1.1	7.5
80	78	Do. Pref. 80p	80	.....	Q9%	16.4	9.0
41	32	Wankie Col. Rh.1	35	.....	†Q7½c	1.4	16.3
15	10	Zam.Cpr.SBD0.24	14½	.....	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
12	10	Acmex 25c	10	.....	—	—	—
113	64	Bougainville 50 Toea	109	+2	Q8c	1.4	4.6
88	63	BH South 50c	88	+4	—	—	—
217	148	Conzinc Riotinto 50c.	210	.....	Q10c	2.2	3.0
72	48	G.M. Kalgoorlie $1	54	.....	—	—	—
136	81	Hamptn Areas 5p	130	+4	1.45	4.1	1.7
18	10	Metals Ex. 50c	18	+1	—	—	—
187	125	M.I.M. Hldgs. 50c	185	+1	Q9c	1.7	3.0
24	10	Mount Lyell 25c	24	+1	—	—	—
6½	1½	Newmetal 10c	6½	.....	—	—	—
112	79	North B. Hill 50c	106xd	+1	Q6c	1.5	4.7
11½	8½	Nth. Kalgurli	10½	+½	—	—	—
156	117	Oakbridge $A1	150	.....	†Q11c	1.9	4.6
40	30	Pacific Copper	37	+2	—	—	—
£12	750	Pancont'l 25c	£11½	−½	—	—	—
30	12	Paringa M&Ex.5p	26½	−1½	—	—	—
480	310	Peko-Wallsend 50c.	456	+6	Q15c	4.0	2.0
123	84	Westn. Mining 50c	123	+3	Q5c	1.4	3.0
50	35	Whim Creek 20c	40	.....	—	—	—

TINS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
30	24	Amal. Nigeria	27	.....	†2.51	1.6	14.1
355	240	Ayer Hitam $M1	355	.....	‡Q¹c7c	0.9	‡
57	45	Beralt Tin	57	+5	3.75	ϕ	10.4
285	200	Berjuntai $M1	280	−5	†Q110c	ϕ	‡
145	111	Geevor	143	.....	h4.51	3.4	4.9
10	8½	Gold & Base 12½p	9½	+½	—	—	—
270	220	Gopeng Cons.	265	.....	15.0	0.9	8.7
160	130	Hongkong	160	.....	—	—	—
93	78	Idris 10p	67	.....	7.5	ϕ	13.1
11	10	Jantar 12½p	11	.....	—	—	—
73	68	Kamunting $M0.50	68	.....	ZQ15.5c	0.7	4.9
470	450	Killinghall	470	.....	Q125	ϕ	26.7
365	280	Malay Dredging $M1	365	.....	†Q95c	0.8	5.6
67	40	♦Pahang	64	−3	‡Q5.75c	0.5	‡
62	50	Pengkalen 10p	62	.....	6.5	1.3	15.9
195	165	Petaling $M1	195	.....	mQ17½c	10.9	1.4
61	49	Saint Piran	57	.....	g1.99	4.6	5.3
61	47	South Crofty 10p	57	.....	b4.13	1.5	11.0
190	140	South Kinta $M0.50	190	.....	‡Q77.5c	1.4	8.8
280	230	Sthn Malayan $M1	229	+5	‡Q131.3c	1.1	10.1
198	134	Sungei Besi $M1	198	.....	—	—	—
75	55	Supreme Corp. $M1	75	.....	ZQ10c	—	2.9
100	85	Tanjong 15p	90	.....	6.5	ϕ	10.9
95	74	Tongkah Hrbr. $M1	95	.....	Q65%	1.6	12.9
205	148	Tronoh $M1	205	.....	ZQ88c	ϕ	9.2

COPPER

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
96	70	Messina R0.50	77	−1	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
17	9	Burma Mines 17½p.	16	.....	—	—	—
300	220	Cons. Murch. 10c	230	−10	Q30c	2.6	7.8
385	245	Northgate C$1	350	.....	—	—	—
215	164	R.T.Z.	212	.....	9.5	2.8	6.8
46½	30	Sabina Inds. C$1	36	.....	—	—	—
£11	750	Tara Exptn. $1	£10	.....	—	—	—
45	43	Tehidy Minerals 10p	45	.....	1.33	ϕ	4.5
167	120	Yukon Cons. C$1	167	+13	Q7c	ϕ	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- § Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ¢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr. Est. 50p	270	......
Clover Croft	22	......
Craig & Rose £1	420	......
Dyson (R. A.) A	41	......
Ellis & McHdy	62	......
Evans Fr'k. 10p	57#	......
Evered	15xd	......
Fife Forge	50	......
Finlay Pkg. 5p	20½	......
Graig Ship. £1	140	......
Higsons Brew	82xd	......
I.O.M. Stm. £1	147	......
Holt (Jos.) 25p	250	......
N'thn. Goldsmith	55	......
Pearce (C. H.)	150xd	......
Peel Mills	20	......
Sheffield Brick	46xd	−1
Sheff Refrshmt.	52	......
Sandall (Wm.)	85	......

IRISH

Conv. 9% '80/82	£91½	−½
Alliance Gas	68xd	−2½
Arnott	320	......
Carroll (P.J.)	83	+1
Clondalkin	103	−1
Concrete Prods.	132	......
Heiton (Hldgs.)	41	+1
Ins. Corp.	148	
Irish Ropes	120xd	−5
Jacob	69	+1
Sunbeam	35	......
T.M.G.	187	......
Unidare	95	......

OPTIONS
3-month Call Rates

Industrials	
A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	10
Barclays Bank	25
Beecham	98
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	13
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	18
Guardian	18
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I.C.I.	23
"Imps"	7
I.C.L.	20
Inveresk	7
KCA	5
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lots"	5
London Brick	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	13
"Mams"	7
Mrks. & Spncr	11
Midland Bank	25
N.E.I.	20
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	10
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	14
Spillers	4
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6
Property	
Brit. Land	3¼
Cap. Counties	5
E.P.	5
Intreuropean	4
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	10
Town & City	2
Oils	
Brit. Petroleum	35
Burmah Oil	7
Charterhall	3½
Shell	28
Ultramar	22
Mines	
Charter Cons.	12
Cons. Gold	20
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday May 17 1978

Buy British goods, Premier tells CBI

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER urged industrialists last night to review their purchasing policies to ensure that companies bought a maximum proportion of manufactured goods from British suppliers.

Mr. Callaghan told the annual dinner of the Confederation of British Industry, in London, that there had been a tendency for this country to buy relatively more imported goods as national income rose, until today one in every four pounds spent in this country on manufactured goods was on a foreign product.

"Is it in the long-term interests of British industrial purchasers to give so much of their custom to foreign suppliers? I am certain it is not.

"We are giving profit and jobs to our overseas suppliers and in the longer run it will result in running down our industrial base."

Mr. Callaghan stressed he was not calling for the old fashioned type of Buy British Campaign. What he was doing was to ask that every managing director should review his company's purchasing policies.

The other major theme in Mr. Callaghan's speech was a defence of Government intervention in trade and industry, and a rejection of putting greater trust in the operation of market forces

He argued that throughout the world Governments were being forced, whatever their political complexion, to step into the industrial field.

The modern industrial worker in a democratic society would not accept that his working life was to be wholly determined by the "dehumanised workings" of market forces.

The worker knew that by following these policies, tracts of British industry would have been crippled and factories closed, including sectors of the computer industry, textiles, aero-engines, footwear, volume cars and shipbuilding.

The relationship must be a matter of balance, and there were areas where industry could not succeed or sometimes survive without Government support or partnership.

It must be the Government's objective to see industries standing on their own feet but at times Ministers might have to decide that in industry was strategically important.

"I would think it quite wrong that industries with a long-term future temporarily embarrassed by the worst world recession since the war, should be surrendered to the mercies of market forces."

Important

The Prime Minster returned to his theme of the restoration of international confidence and the boosting of world trade. He emphasised the importance of successful summit talks in Bonn in July, if the world economy was to move out of recession.

"I urge as strongly as possible that by July the major industrial nations should be seen to have a concerted programme for national and international action that can be agreed in Bonn."

Mr. Callaghan confirmed that a Government White Paper on industrial democracy would be published shortly so that the Government's views could be exposed to comment and criticism.

The whole tenor of his comments showed that there is no likelihood of early implementation of the Bullock proposals or anything based on them. "We believe that industry will be healthier when working people are fully informed of and participate in decisions that vitally affect their working lives and jobs . . . that progress will best be made by agreement . . . and that it should come step by step."

John Elliott writes: Mr. John Greenborough, president of the Confederation, warned that his organisation would "go on fighting" over income-tax levels in the Finance Bill.

"This current policy of penal taxation must be one of the most effective weapons that we give to our competitors," he said in his presidential speech at the dinner.

"I am sure it ultimately puts far more money into the treassuries of Japan, Germany and the U.S., than into our own national coffers.

"I am forced to say that any Government will go on ignoring the equity of the case of the manager at the country's economic peril."

Mr. Greenborough said that the Confederation's ideas for reform of pay bargaining were aimed at achieving "understanding, consensus and self-discipline."

They are to be considered by the council this afternoon and involve a Parliamentary Select Committee advising on the country's economy.

The Confederation "applauded the manner" in which the Government had kept the fight against inflation "in its sights."

But, Mr. Greenborough added, "there can be no complacency whatsoever brought about by our entry into the high single figure range for pay rises."

Ethiopians open Asmara battle

BY OUR FOREIGN STAFF

HEAVY FIGHTING was reported around the Eritrean capital of Asmara yesterday as the long-expected counter-offensive by Cuban-trained Ethiopian troops got under way.

An estimated 20,000 troops backed by tanks, aircraft and artillery broke through guerrilla forces besieging the city.

Lt.-Col Mengistu Haile Mariam, the Ethiopian leader, paid tribute in a speech he made in Harar to the help his country has received from the Soviet Union, Cuba, South Yemen and East Germany.

Asmara has been under seige since February, 1975, and is vital to the secessionists' attempts to push the Ethiopians out of Eritrea.

Ethiopia has been able to concentrate all its efforts on reasserting its control of Eritrea since March when its Cuban-backed forces drove the Somalis out of the Ogaden region.

The Eritrean Liberation Front—Revolutionary Council, the main guerrilla movement, said that Ethiopian troops with tank, artillery and air support, were fighting guerrilla forces entrenched six miles west of Asmara.

But it added that there was no evidence of direct involvement by Cuban troops as there had been during the Ogaden campaign.

President Carter last month expressed concern about the estimated 17,000 Cuban troops in Ethiopia, who, he said, were preparing for war with Eritrea.

Western military experts feel that the offensive has little chance of succeeding without Cuban backing. The rough terrain was ideal for guerrilla warfare, they said.

Diplomats in Khartoum, however, say that Cuban soldiers have been arriving by air in considerable numbers in Asmara, and by sea at Massawa.

President Siad Barre of Somalia has renewed pledges of support to Somali guerrillas continuing the fight in the Ogaden, says the Somali news agency, defying Lt.-Col. Mengistu's threat to invade Somalia if the guerrillas did not stop fighting.

Cuban-led Ethiopian troops earlier this year recaptured a large slice of Somali-held territory in the southern Ogaden region of Ethiopia.

The next four weeks are likely to be crucial for the Ethiopian offensive. Eritrea's rainy season usually begins in the second week of June and would favour the guerrillas by making the movement of heavy equipment difficult.

In his speech in Harar, Lt.-Col. Mengistu said his forces "are at this very moment engaged in a bitter struggle against anti-popular and reactionary separatist elements in the northern region of Eritrea."

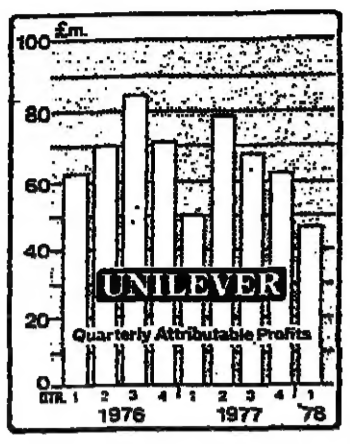
Diplomats in the Ethiopian capital, Addis Ababa, said the speech confirmed reports of the Eritrean offensive although in Khartoum, another of the secessionist groups, the Eritrean People's Liberation Front, said the reports were not true.

THE LEX COLUMN

Still a dull trend at Unilever

The institutions appeared to be nibbling at equities once more at yesterday's lower levels. But the day's company news provided a comprehensive reminder that companies are facing an uphill battle against the weakness of the world economy.

Index fell 3.4 to 481.6



Unilever

Unilever's first quarter figures are just as dull as the worst fears expressed at the end of last year. Pre-tax profits come out at £110.6m, a drop of over £13m on the corresponding period. Market expectations had ranged as high as £130m, so the shares fell back 14p on the news, before ending 12p down at 504p. The clear message is that the European economy is still as depressed as it was last year. Indeed, Unilever reports flat demand for its products in all the main European markets, with volume actually down on the first quarter of 1977, and disappointing profit contributions. The picture has not been much better in North America, though 1977 figures here benefited from a particularly good performance by the Lipton business.

On the other hand, Unilever has performed well in the developing countries with useful volume gains and profit increases of the general order of at least 10 per cent. Another consolation is that real Hyde-adjusted profits in the first quarter of 1978 are actually a little ahead of last time, after stripping out stock profits.

Nevertheless, analysts are tending to cut back on full-year forecasts of profits as high as £630m, with figures of £575m to £600m now being quoted. This still assumes a substantial boost to second-half profits from increased consumer spending across Northern Europe.

Coats Patons

There is nothing wrong with the pre-tax total of £83.2m achieved by Coats Patons in 1977, compared with £76.4m last time, but the market took a dim view of the warning that profits could be "significantly" lower in 1978, and the shares dipped 7p to 76p. After the sharp recovery in the first half of 1977, Coats' profits eased a little in the second six months (though this can probably be blamed on the use of less favourable exchange rates in December than in June). More tangibly, volume is estimated to have eased by an overall 1 per cent or so for the full year, whereas a modest improvement was reported after six months. Conditions improved in the UK, Latin America and the Far East, but Western Europe has been a problem area for some time and now North America appears to be showing signs of trouble too.

In Europe, Italy and Spain are showing the worst current results but Germany is also weak. Meanwhile North America is suffering from a serious build-up of competition: it is proving hard to get retailers to accept price increases, while import pressures are becoming a problem in fasteners. At least the UK is still showing good results.

The unexciting prospect is that 1978 profits could easily be back to 1976 levels, so the p/e of 4.9 could rise somewhat. The Hyde p/e, incidentally, is 11 and the yield 6.7 per cent.

Ranks Hovis

At the half-way stage Ranks Hovis McDougall's pre-tax profits are 23 per cent. lower at £16.0m. This is no great surprise given that the bread side probably lost around £5m as a result of the bakery strike but the statement that full-year profits will now be below last year's £36.5m raised a few eyebrows.

The current year should see a £4m turnaround at Wessex Finance and with the closure of Spiller's baking business last month, there were grounds for thinking that Ranks own baking operations would now be on a far healthier financial footing. Perhaps Ranks is being unduly cautious since on top of its UK bakery problems the Iri[sh] operation rather surprising[ly] moved into the red in the fi[rst] half.

This has been turned rou[nd] and though the dust still has [to] settle on the reorganised U[K] bakery business the financ[ial] prospects should be consid[er]ably better now that most [of] the over-capacity has be[en] eliminated. Next year, howev[er] will be the test period. By th[en] profits should be moving ba[ck] above the £40m. mark, and [as] they should for a group wi[th] a turnover of £1¼bn.

This year Rank's profits a[re] heading down towards £3[...] and attention is centred on [the] balance sheet ratios—net b[or]rowings of £119m will probab[ly] rise by £20-30m. The gearing [is] not much different now than [it] was prior to the 1975 rig[hts] issue and if only the pr[ofit] potential can be realis[ed] another sortie into the equ[ity] market would not be v[ery] surprising. At 53½p the sha[res] yield a prospective 10.2 p[er] cent.

Trafalgar House

The quantity of Trafalg[ar] Houses's half-time profits is [at] least as high as expected—at a rise from £21m to £29.5m pre-tax—but the quality is [not] so impressive. The group h[as] taken in over £15m as the s[ur]plus on the sale of Bill[...] Building and Leadenhall Hou[se] and excluding property, pro[fits] are down from £18m to arou[nd] £14m. The big disappointm[ent] is the shipping and leisure di[vi]sion which suffered much m[ore] than expected from the indus[try] slump, aggravated by the U[S] docks strike and the firmness [of] sterling, and turned in a loss [of] £1.9m. Construction made p[ro]gress from £7.1m to £9m, h[ow]ever, and there is a first t[...] publishing contribution [of] £1.3m.

Shipping, partly thanks to [the] sale of loss making vess[els] should now bounce back [to] roughly last year's second h[alf] profit level of £7.8m, a[nd] Morgan-Grampian, said to [be] currently earning at an annu[al] rate of £6m (whereas [the] Express group's profits are s[...] modest), should more or l[ess] compensate for the much lo[wer] level of property profits in [the] second six months. That co[uld] mean £55m or more pre-tax [for] the full year, against £46.[...] pointing to a p/e (on a 35 [per] cent tax charge) of maybe j[ust] under 6 at 133p. The uncert[ain] point is where Trafalgar w[ill] find growth in the future.

Industrial production shows gradual rise

BY DAVID FREUD

INDUSTRIAL ACTIVITY now seems to have recovered from the depressed levels recorded at the end of last year. However, the improvement is gradual and remains patchy.

Figures released yesterday by the Central Statistical Office show that total production in the first three months of the year was 1.7 per cent higher than the previous quarter, seasonally adjusted.

The output of manufacturing industry was 1.1 per cent higher in the same three months than in October-December.

In March the all-industries index dropped slightly from the February figure of 103.9 to 103.7 (1970 = 100, seasonally adjusted). The index for manufacturing industry rose 0.6 to 104.5.

The signs of improvement are a little more widespread in the March figures than previously, with both chemicals and clothing output healthier. The improved performance of items like man-made fibres and miscellaneous metals was maintained.

However, vehicle production has declined slightly after the rise in February—caused mainly by fewer strikes—and there is still no sign of a sustained recovery in metal manufacture.

INDUSTRIAL PRODUCTION
1970=100 seasonally adjusted

		All Industries	Manufacturing
1976	1st	100.1	101.2
	2nd	101.5	103.3
	3rd	100.9	103.4
	4th	102.8	104.5
1977	1st	103.2	105.2
	2nd	102.0	103.0
	3rd	102.7	103.7
	4th	102.0	102.9
	Dec.	102.5	103.6
1978	1st	103.6	103.9
	Jan.	103.2	103.4
	Feb.	103.9	103.9
	Mar.	103.7	104.5

Source: Central Statistical Office

On longer-term comparisons, the all-industries' index in the first three months of this year was 4.5 per cent above the trough in the third quarter of 1975, and manufacturing industries were 3.5 per cent up.

The all-industries' was 0.5 per cent up in January-March on the same period a year ago, while manufacturing industries show a fall of 1.5 per cent.

There was an improvement in chemicals production after the downturn at the end of last year which has been attributed to the rise in sterling at that time.

The index of the industrial sector including chemicals, along with coal and petroleum products, rose 4 per cent. in March over February. It was 3.2 per cent. higher in the latest three months than in October-December.

The increased contribution of North Sea oil also had a significant effect on the index, as did the rise in coal production after the miners' productivity agreements.

These two elements caused a 5.2 per cent. increase in the mining and quarrying sector index in the first three months of the year over the previous three.

Comparison of broad market sectors on a three-month to three-month basis shows that the output of consumer goods industries fell 0.5 per cent., investment goods rose 1.5 per cent. and intermediate goods — including fuels—rose 3.5 per cent.

The poor performance of consumer goods production tends to support the argument that the growth in retail sales taking place in the early months of the year was met by running down stocks and through imports.

This rundown in stocks could be a partial explanation of the large increase in imports of raw materials and semi-manufactures in March—brought in to rebuild supplies.

City's securities watchdog body meets on Friday

BY MARGARET REID

THE FIRST meeting of the Council for the Securities Industry, the City's new voluntary supervisory body to maintain ethical standards in securities trading, will be held on Friday afternoon at the Stock Exchange, under the chairman, Mr. Patrick Neill QC.

One topic expected to engage its attention is the recent split 3:2 finding of five Law Lords that there was not a case for Mr. Richard Tarling, a former colleague of the financier Mr. Jim Slater, to be extradited to Singapore to face conspiracy charges.

Two Law Lords, Viscount Dilhorne and Lord Edmund-Davies, entered strong contrary opinions and there has been a good deal of respectful, but strong, criticism in the City and legal circles of the Law Lords majority conclusion in this appeal case.

The Law Lords decided that Mr. Tarling should be extradited on lesser charges concerning accounting matters and, an appeal against this is being made to the Home Secretary.

In another move to add to the City's system of self-regulation, two new members are joining the City Take-over Panel, which referees bid activity and—which, like the Stock Exchange, will work closely with the new Council for the Securities Industry.

The are Mr. Neill himself, who is Warden of All Souls College, Oxford, as well as a leading commercial barrister, and Mr. Brian Maynard, President of the English Institute of Chartered Accountants.

This is the first time that an accountant as such has been a member of the panel, which already includes representatives of the Stock Exchange, banks and various City institutions.

A further link between the Panel and the CSI is that Lord Shawcross, the Panel's chairman, will be a member of the CSI.

The new 20-member Council for the Securities Industry will mainly be composed of the chairmen of the various City bodies, but is also to include three lay members to be appointed by Mr. Gordon Richardson, Governor of the Bank of England, as representatives of the individual investor and the wider public interest.

It is not clear whether these three, important because they should prevent the CSI being regarded as a self-protective City club, will be appointed by Friday.

At its meeting on Friday afternoon (which will follow a gathering of the Take-over Panel in the morning), the new CSI will first deal with its own administrative arrangements.

Secret talks

Another topic on the agenda is the discussion of possible activities on which the Council might give guidance.

The Council, whose formation was announced by the Bank of England at the end of March, after long secret discussions, as a new broader venture in self-regulation, will doubtless be considering the role of its own rule-making body, the Market Committee.

Subjects for possible further general consideration and the making of rules include new issues and the duties of non-executive directors.

Tories would lessen State's oil role

BY SUE CAMERON AND RAY DAFTER

THE British National Oil Corporation will be stripped of some of its powers if the Conservative Party is returned to power at the next General Election, Sir Geoffrey Howe, the Shadow Chancellor, said yesterday.

"It would be our firm intention, as a first step, to contain BNOC and then to examine its activities in each case in order to determine their relevance to the national interest." Sir Geoffrey told a Financial Times conference in London on the economic impact of offshore oil.

The Tories considered it quite incompatible for the regulatory agency function of BNOC to be carried out in conjunction with its other role as an operating company. "From this it follows that we should wish to separate out this regulatory role."

While BNOC should be congratulated for its successful management of the North Sea Thistle Field, there was a need to question the Govrnment's intntion to entrust it with the task of handling at least half the country's crude oil within about three years.

"If BNOC were to prove, as many people fear, a high-cost operation with a low success ratio, that would represent a very costly experiment from the country's point of view," said Sir Geoffrey.

Established oil companies must be allowed to continue a vital contribution to successful development of the North Sea. "Is it not better to recognise this sensible reality than to rely as heavily as the present Government propose to do on the newly created and relatively inexperienced State oil company which has as yet a very limited track record in the field."

Sir Geoffrey's remarks, in line with recent statements by Mr. Tom King, Shadow Energy Secretary, will be greeted with a measure of relief by the oil corporation.

Since its inception in January, 1976, there has been speculation about its future under a Tory Government.

At one time it was thought BNOC might be disbanded altogether by the Tories, but Sir Geoffrey has confirmed that his party accepts that the corporation has a role to play as a commercial company.

His reference to the undertaking's dual function, as a regulatory agency and operator, follows recent criticism from the oil industry which has suggested that the corporation may be using information accumulated through its advisory role to gain a competitive advantage.

Though BNOC has no regulatory powers as such, there is a growing feeling in the industry that it has a considerable influence on the Government's North Sea policies. The corporation's influence and commercial activities could grow further under the draft terms announced for the next round of offshore licences.

Conference report, Page 6

General Mills buys Chad Valley

By Andrew Taylor

CHAD VALLEY, one of the survivors of the failed Lines Brothers toy empire which collapsed in the early 1970s, has been bought by General Mills UK for more than £1m cash

General Mills UK, a wholly-owned subsidiary of General Mills of the U.S., the world's largest toy company, has acquired Chad Valley from Mr. Davoud Alliance, who bought the company from Mr. John Bentley's Barclay Securities group in 1972, shortly after the Lines Brothers collapse.

General Mills UK already owns the Palltoy and Denys Fisher brand names and is one of the largest toy companies in Britain.

Chad Valley is itself one of the largest soft toy companies in the U.K., claiming about 40 per cent of that market. The deal will expand General Mills' range of toys and dolls which include the 'Action Man' series made by Palitoy.

While Chad Valley has been one of the more respected names in the toy industry its profit record in the early 1970s was disappointing. After losing about £25,000 in 1975 the group moved into profit in 1976, and last year was thought to have earned pre-tax profits of about £200,000.

General Mills said last night that Chad Valley would be operated as a separate division alongside the existing Palitoy and Denys Fisher divisions.

Boeing seeks U.S. partners for jet

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING of the U.S. has begun talks with other big American aerospace companies on collaborating to develop the proposed new 757 short-range jet airliner.

The moves follow the absence of any formal response to Boeing's original offer to the state-owned British Aerospace to join in the 757, perhaps taking as much as 40 per cent of the work on the airframe.

Mr. E. H. Boullioun, president of Boeing's Commercial Airplane group, had always made it clear that he could keep the collaboration offer exclusive to the UK only until Monday this week.

To ensure that Boeing's own development programme for the jet did not fall behind, he would then be obliged also to seek partners from the U.S. industry.

The fact that Mr. Boullioun has begun or is planning talks with such big U.S. companies as General Dynamics, Rockwell, Rohr Industries and Northrop, does not mean that the UK offer is withdrawn. But the longer the UK delays its decision, the more likely it is that its potential share of the work will shrink as U.S. companies move in.

Boeing made it clear in talks last week between Mr. Eric Varley, the Industry Secretary, and Mr. Boullioun, that it would need help in developing the 757, because of the strains of starting three new types of jet at once—the others being the 767 200-seat twin-engined aircraft, and the three-engined 777.

Boeing stressed it would need more factory space, skilled engineers, and risk capital. The company had offered the UK work on the 757 wings, engine nacelles, rear fuselage and landing gear. The proportion of work would rise if Rolls-Royce RB-211-535 engines were also used.

Weather

U.K. TO-DAY

DRY WITH sunny intervals.

London, S.E., Cent. N., Cent. S. England, Midlands.

Dry, sunny intervals. Max. 16C (61F).

E. Anglia, N.E. England.

Dull at first, sunny later. Max. 14C (57F).

Channel Islands S.W., N.W. England, Wales, Lakes, Isle of Man, S.W. Scotland, N. Ireland.

Dry, sunny intervals. Max 15C (59F).

Borders, Cent. Highlands

Dry, sunny intervals. Max. 14C (57F).

N.E., N.W. Scotland, Orkney, Shetland.

Cloudy, mainly dry. Max 12C (54F).

Outlook: Mostly dry and warm.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstdm.	F	13	55	Luxemb'g	R	10	50
Athens	S	23	73	Madrid	S	21	70
Barcelona	F	19	66	Manchestr.	C	14	57
Beirut	S	26	79	Melbourne	F	16	61
Belfast	S	15	59	Milan	F	20	68
Belgrade	F	16	61	Moscow	C	16	61
Berlin	F	15	59	Munich	C	12	54
Brmghm.	S	14	57	Newcastle	F	13	55
Bristol	C	15	59	Oslo	C	13	55
Brussels	C	15	59	Paris	S	17	63
Budapest	Th	14	57	Perth	C	18	64
Cardiff	S	13	55	Prague	F	14	57
Cologne	F	14	57	Reykjavik	F	6	43
Copnhagn.	F	11	52	Rome	S	19	66
Dublin	S	13	55	Stockholm	R	7	45
Edinburgh	S	14	57	Strasbrg.	F	17	63
Frankfurt	C	13	55	Sydney	C	18	64
Geneva	C	13	55	Tel Aviv	F	23	73
Glasgow	S	15	59	Vienna	F	13	55
Helsinki	C	14	57	Warsaw	F	14	57
Lisbon	C	17	63	Zurich	S	16	61
London	F	15	59				

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	S	18	64	Jersey	S	12	54
Algiers	F	28	82	Las Plms.	S	15	59
Biarritz	C	15	59	Locarno	C	18	64
Blackpool	S	14	57	Luxor	S	42	108
Bordeaux	F	20	68	Majorca	S	22	72
Boulogne	C	12	54	Malaga	C	22	72
Casablnca.	C	17	63	Malta	S	20	68
Corfu	S	23	73	Naples	S	18	64
Dubrovnik	S	17	63	Nice	C	17	63
Faro	C	19	66	Nicosia	F	23	73
Florence	F	16	61	Oporto	C	15	59
Funchal	C	19	66	Rhodes	S	27	81
Gibraltar	S	21	70	Salzburg	C	11	52
Guernsey	S	11	52	Tangier	C	18	64
Innsbruck	C	16	61	Tenerife	F	16	61
Inverness	C	14	57	Tunis	S	23	73
Isle of Man	S	12	54	Valencia	F	21	70
Istanbul	C	16	61	Venice	S	18	64

S—Sunny, R—Rain, Th—Thunderstorm.

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